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Dollar Rises as Market Gropes for Clues

By Carl Gewirtz
International Herald Tribune

PARIS — The dollar soared again Wednesday before trading in Europe and New York. Dealers said the market was disorderly, with traders fighting at the opening to buy dollars they previously had sold.

At its high, the dollar was quoted at 131.65 yen, up 3 percent from its Tuesday close, and at 1.6680 Deutsche marks, up 2.5 percent. Although the dollar subsequently retreated, it ended ahead for the day.

Unlike the past few days, dealers did not detect massive purchases of dollars by central banks. But the

impulsion of the earlier central bank intervention, which one New York trader estimated at \$10 billion to \$15 billion between Dec. 30 and Jan. 5, set the stage for the dollar's climb.

The dollar closed in New York at 129.35 yen, well off its high for the day but up from 127.80 at Tuesday's close. It rose to 1.647 DM from 1.631, to 5.5625 French francs from 5.5130 and to 1.3438 Swiss francs from 1.3300.

The dollar also climbed against the British pound, which slipped to \$1.8085 from \$1.8250 Tuesday.

At one point, dealers said, there was a panic to buy dollars following a news report in Tokyo by publicly owned NHK television that the United States, Japan and West Germany had secretly set intervention levels of just below 130 yen and just above 140 yen.

One senior dealer, who asked not to be identified, said, "There are probably no official ranges, but probably an understanding or an assumption among the major central banks that a level of 130 yen and 1.6 Deutsche marks is a good platform from which to monitor the expected improvements in the U.S. trade figures."

Matt Matthews, a foreign exchange vice president at the First National Bank of Chicago, attributed the dollar's leveling off later in the day to "reluctance to continue staying with the long dollars" in light of the reported accord to fix an acceptable target range.

Late profit-taking also was triggered by unconfirmed rumors of central bank selling at certain levels, dealers in New York said.

Dollar buying by central banks, which had been modest and not particularly effective in the final two trading days of 1987, picked up massively Monday when the U.S. currency hit record lows in early trading in Asia of 1.5625 DM and 120.45 yen. Monday's intervention lifted the dollar 1.4 percent against

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A trader at the Chicago Mercantile Exchange shouting an order Wednesday during trading of the Japanese yen. The dollar ended the day at 129.35 yen in New York, up from 127.80 yen on Tuesday.

Strong Mark Is a Burden To Germany

By Ferdinand Protzman
International Herald Tribune

FRANKFURT — Although the Deutsche mark's sharp rise against the U.S. dollar appears to be gradually losing steam, some West German economists say they believe the mark's strength could bring the nation's plodding economic growth to a standstill by year's end.

"There will be a carry-over effect from 1987 that will produce some gross-national-product growth in 1988," said Dieter Wermuth, vice president in charge of portfolio management at Manufacturers Hanover Trust Co. in Frankfurt.

"But the actual GNP growth rate during the year will be nothing, zero," he said. Gross national product measures a nation's total output of goods and services.

Mr. Wermuth based his prediction largely on the negative effects of the strong mark on West Germany's export-dependent economy.

"What I see in the year ahead is stagnation," he said. "Real exports will decline; domestic consumption will rise, but not enough to compensate for the export drop; industry will lower its capital spending, and unemployment will climb. The outlook is just dark."

What the strong mark does, economists said, is make West German products more expensive abroad, while imports become cheaper for the country's consumers. That, in turn, erodes West German companies' domestic sales.

Industry, in turn, fearing sales declines, reduces its investment in plant and equipment, or shifts its focus to overseas acquisitions and expansion because of the price advantages derived from the exchange rates.

Although West Germans have a

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The U.S. defense secretary, Frank C. Carlucci, with the crown prince and defense minister of Bahrain, Sheikh Hamad bin Isa al-Khalifa, after arriving Wednesday in Manama, Bahrain's capital.

East Europe's Shadow Society

Public Discontent Weakens Hold of Communist Parties

By David Binder
New York Times Service

BERLIN — Across East Europe, a shadow society has sprung up outside the control of the ruling Communist parties, tolerated because the authorities have failed to fulfill Marxism-Leninism's promise to build a better life for working people.

Housing remains scarce all over the region, public health services are often inadequate, pollution is the worst in Europe, and even the water supply in Prague is considered too dangerous for infants.

As a result, the influence of the Communist parties is weakening, while citizens take matters into their own hands in nearly every sphere of life.

In Prague, young people are mounting small theater productions free of party control. In the Soviet-controlled section of Berlin, construction crews are earning five times the normal government wage by working on municipal and private projects after dark or on weekends.

In Sofia, farmers from nearby

Mount Vitosa sell onions and potatoes for hard currency. The official Communist system competes sharply in many respects with the shadow system, where Western currencies like dollars and

Last of four articles.

Deutsche marks are frequently the coin of the realm. The shadow society has existed from the beginning of Communist rule in Eastern Europe, declining to its weakest in the 1960s as collectivization campaigns reached their zenith in emulation of the Soviet Union. The second society's revival is proportional to the inability of East European governments to fulfill their own social and economic plans.

Communist rulers are authorizing and generally patronizing the second economy, in part as a means of achieving what Mikhail S. Gorbachev, the Soviet leader, is trying to do with calls for "restructuring" and "openness" in the Soviet Union.

Across Eastern Europe, writers, sociologists, and even members of

the ruling parties and governments speak of apathy, of official corruption and lies, of the destruction of social values as results of four decades of socialism.

"Our society is totally split," said a veteran Czech journalist who was ousted from her job following the Soviet bloc invasion of her country in 1968, "and the worst thing is, the leaders want it that way. It protects their positions."

The climate of the unofficial free market is harsh, said a 22-year-old construction worker in Berlin who described a huge building project on the city's eastern side where he and his colleagues were pushed relentlessly to complete in time for the 1987 celebration of the city's birth 750 years ago.

"They pay me 3.74 marks an hour on the regular job and 20 marks an hour right after the shift ends," he said. "Thirty marks if it's a rush job, 40 or even 50 marks if it's outside Berlin and on the weekend. These are the contradictions of socialism."

"It's murder out there in the second economy," he said of his after hours employment — mostly for the same foreman who is his boss on his regular job. "There is merciless competition." His motivation for working an extra eight or more hours a day? "I'm trying to earn a car."

Two Prague sociologists said their research showed that more than 40 percent of Czechs and Slovaks were engaged in the second economy, providing everything from farm goods to automobile repairs. In Hungary, government officials say, 70 percent of their employed people work in the second economy; Bulgarian officials estimate that 50 percent of their country's workers take part.

For those who have built the

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U.S. Sets A Review On Gulf

Reagan, Carlucci To Discuss Naval Presence in Area

By Molly Moore

WASHINGTON — President Ronald Reagan denied on Wednesday that he is ordering any immediate reduction in the U.S. Navy force in the Gulf although Defense Secretary Frank C. Carlucci said he and Mr. Reagan will meet shortly to review the deployment.

"I don't answer questions, but that one's easy — no," Mr. Reagan replied when asked if he was ordering a withdrawal of any U.S. ships from the Gulf. He refused to say anything more.

The White House spokesman, Martin Fitzwater, said there had been no decision about a cutback, "but obviously we would always look to that possibility."

He said there had been no change in policy and that "our objective is to try to remove ships and lessen tension there whenever possible. But there's nothing anticipated at this time that I'm aware of."

Mr. Carlucci said that the Pentagon will review the size of the U.S. naval presence in the Gulf when he returns next week.

In a U.S. television interview from Bahrain, Mr. Carlucci said: "No decision has been made on any reductions. From time to time, one always looks at the mix of ships, depending on the nature of the threat, depending on how much of the burden can be picked up by our allies."

Mr. Carlucci said he will discuss the naval operations with military leaders and review the "overall situation" with President Reagan.

"Then, it is possible decisions will be made," Mr. Carlucci said in a television interview. "But let me emphasize that no policy changes are contemplated."

Naval leaders have been pushing for a reduction of the fleet for the past several months because they say that the Gulf mission has drained the navy of operating and maintenance funds.

The 32 ships and dozens of aircraft assigned to the Gulf, North Arabian Sea and Indian Ocean are costing the navy an extra \$20 to \$30 million each month in expenses above the normal operating costs of those vessels, according to Pentagon estimates.

Six ocean-going mine-sweepers and several small coastal mine-hunting boats are now on duty in the Gulf, along with mine-sweeping ships from several Allied nations, diminishing the need for the mine-sweeping helicopters which are expensive to operate and subject to more frequent maintenance problems because of the Gulf environment.

Pentagon officials originally dispatched about six mine-sweeping helicopters to the Gulf to provide protection until the ships arrived in the region.

At the same time that naval leaders have encouraged the administration to begin pulling some ships out of the area, Arab nations have increased pressure on the U.S. government to provide more protection for their shipping interests.

Mr. Carlucci plans to discuss those issues with Saudi Arabian leaders later in his trip.

Israel Chides U.S. for Backing UN Move to Block Expulsions

By Thomas A. Friedman
New York Times Service

JERUSALEM — Israel expressed its "regret and disappointment" on Wednesday at the U.S. decision to vote in favor of a UN Security Council resolution calling on Israel not to deport nine Palestinian civilians it has accused of inciting the recent wave of rioting.

The U.S. vote in favor of the resolution, which was passed unanimously Tuesday, marked the first time in six years that the United States had joined in a Security Council resolution critical of Israel.

Israeli officials did not hide either their surprise or discomfort with

this departure from the usual U.S. policy of abstaining on such resolutions.

"Of course we were surprised," said a senior Foreign Ministry official. "We thought they would just abstain. But look, it is not the end of the world. We are not declaring war on anyone. We can live with it, but for the future we have to let the Americans know that we don't take these things lightly."

Despite earlier U.S. objections, the Israeli Army on Sunday ordered nine Palestinians from the West Bank and Gaza Strip expelled from the country for their role in allegedly inciting anti-Israeli disturbances and violence in the occupied territories.

A statement issued by the official Foreign Ministry spokesman, Ehud Gol, said: "Israel expresses its regret and disappointment over the fact that the United States, a close friend of Israel, has joined in this resolution, which, as we have stated, does not contribute to the re-establishment of calm nor to a furthering of the peace process."

The statement also said that "Israel regards itself as responsible for matters concerning the territories and for the safeguarding of the security of its inhabitants. Israel will continue to act with responsibility and restraint in the fulfillment of this duty. In its activities, Israel has

always taken great care that international law, and those laws applied to the territories, are fully preserved."

The last time the United States voted against Israel in the United Nations was in 1981 when the Security Council declared null and void Jerusalem's decision to extend Israeli law to the occupied Golan Heights, a move tantamount to annexation.

Meanwhile, there was more unrest Wednesday in the occupied territories. In the West Bank town of Tulikaram, a 21-year-old Palestinian refugee, whose name was not immediately available, walked up to a car driven by an Israeli soldier that had come to a halt at a main intersection. The Palestinian threw the car door open and began trying to stab the Israeli officer and a woman soldier seated next to him, the Israeli Army spokesman said.

The officer drew his pistol and shot and wounded the Palestinian, who was only able to graze the woman soldier with his knife. Following the attack, the officer had to fire off several rounds into the air to keep at bay a crowd of Palestinian youths who had surrounded his vehicle and tried to overturn it, the army spokesman said.

The army also imposed a curfew

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Klosk Mexico Suspect Indicted by U.S.

LOS ANGELES (UPI) — A major Mexican drug dealer, Rafael Caro Quintero, and several associates were charged in a federal indictment that was revealed Wednesday with the 1985 murder of a U.S. narcotics agent and his pilot.

The announcement represents a major break in the two-year inquiry that has strained U.S.-Mexican relations.

U.S. officials confirmed reports that Mr. Caro Quintero, who is in prison in Mexico for the 1985 slaying of the agent, Enrique Camarena, had been indicted secretly in May.



General Henri Namphy faces an election boycott by four Haitian politicians seeking his removal. Page 6.

General News
Michael H. Armacost, a U.S. undersecretary of state, said his talks in Pakistan on the Afghan war were productive. Page 2.

Business/Finance
Grand Metropolitan of Britain raised its bid for Martell, the cognac house. Page 9.

Dow Jones	The Dollar
Up 8.50	New York 1.647
	DM 1.8085
	Yen 129.35
	FF 5.5625

North African Women Press Fight for Equality

By Paul Delaney
New York Times Service

CASABLANCA, Morocco — Hinde Taarji and Assia Belghiti consider themselves in the vanguard of change for women's rights in North Africa.

But the two Moroccan women differ in their approach to feminism, although they typify the tough fight for equality.

Miss Taarji is editor of Kalima, a Moroccan magazine for young women that mixes articles on fashion and life-style with serious issues. She is single, lives in her own apartment, has traveled widely and advocates equality between men and women. She says that change in the status of women is taking place rapidly, particularly among the young, but that women have to fight for their rights.

"There are conflicts and contradictions," she said. "Some men want an educated woman to upgrade their social status, but, on the other hand, he wants her in traditional roles. Some women are demanding equality but want their husbands to pay for them."

Miss Belghiti, a poet, politician and Islamic scholar, also advocates women's rights, but with constraints that take into account Islamic tradition and what she regards as women's special roles as wives and mothers.

"The tradition here is for order," Miss Belghiti said. "And I agree with that social structure. Unlimited freedom would be meaningless. Women of culture and taste, she

said, would not want to patronize the traditional Arab male preserve of coffeehouses.

More rights will come without a feminist movement, she said. But militancy would provoke "a revolt by the men that would jeopardize those rights already gained."

While Western-style feminism is still alien to North Africa, a small but growing number of women are arguing for change.

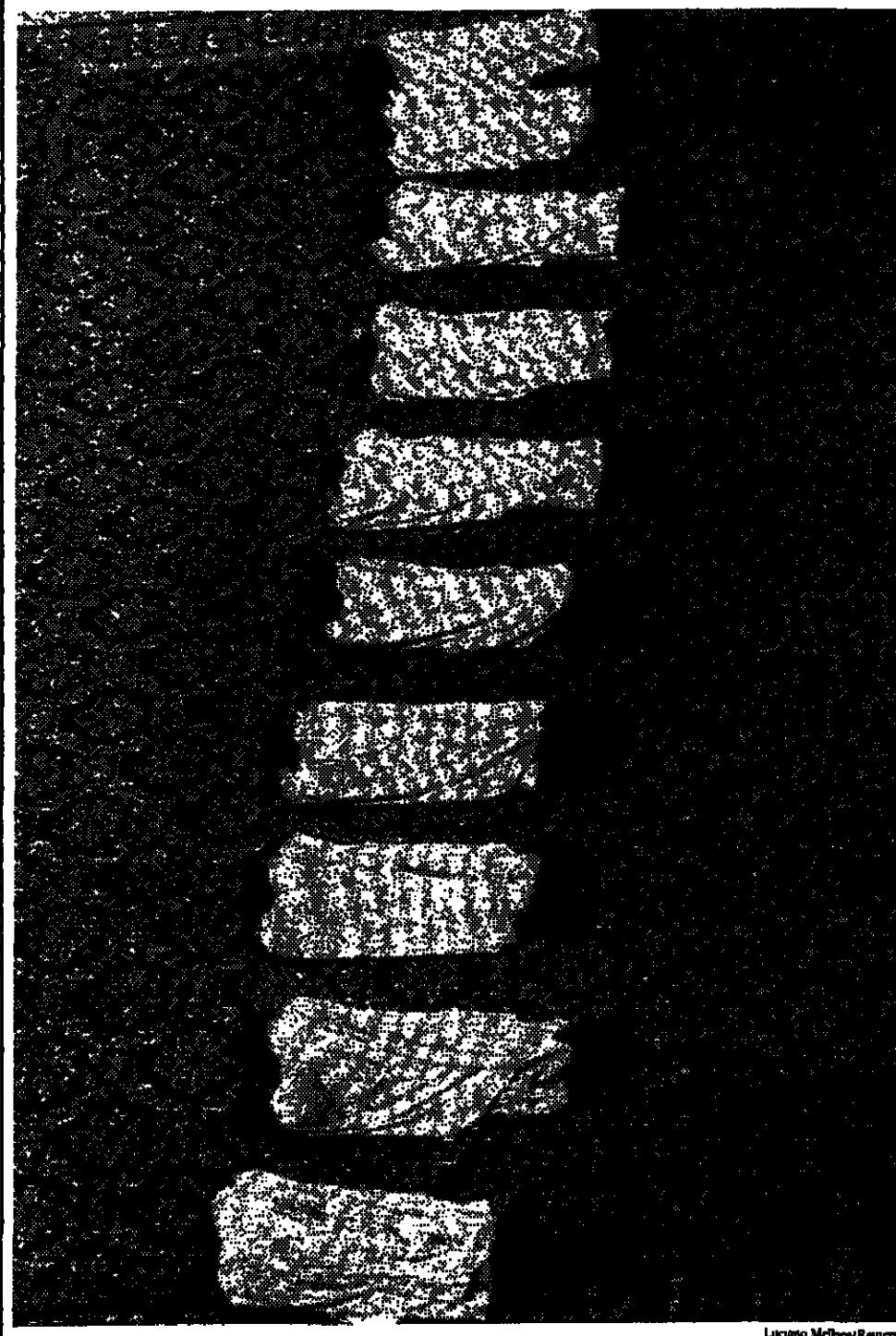
But their task is formidable. Most women in towns and villages are locked into tradition with little hope of change soon. There is concern that an Islamic backlash could jeopardize recent gains. For example, President Habib Bourguiba of Tunisia, who was ardent in recognizing and extending rights to women, was deposed in early November by a man, much more orthodox and religious, Zine al-Abidine Ben Ali.

"Officials in the new regime say they will not tamper with our gains," said Souad Chaïr, a sociologist who formerly directed family planning in Tunisia, "but no one knows what they will do."

Tunisia and Morocco have adopted more Western ideas and culture than Algeria. In their big cities, women in dresses or sometimes in jeans socialize and work alongside others wearing caftans and veils.

In Algeria, where Islam is adhered to more closely, fewer outside ways break through. Most

See MOROCCO, Page 6



A Palestinian and 9 Others Become Bishops

Ten new bishops prostrated themselves Wednesday before Pope John Paul II during their consecration in St. Peter's Basilica. One, at bottom, is Michel Sabbah, the first Palestinian to become the Roman Catholic patriarch of Jerusalem. Among those at the ceremony were envoys of Israel and the PLO, as well as some Arab nations that do not have diplomatic ties with the Holy See.

A Swipe at Japan Goes Awry in U.S. Congress

By Martin Tolchin
New York Times Service

WASHINGTON — Last spring, Representative Thomas McMillen, Democrat of Maryland, took the floor of the House to describe an "internal, high-level Japanese government memo" that he said had recently been brought to his attention.

"This memo stated that Japanese investment in the U.S. will be targeted to congressional districts where it would result in the most political benefits," he told the House.

The benefits, he said, included "the rallying of workers employed by foreign investors to political causes and the use of direct and portfolio investment to influence the American political process."

Mr. MacMillen's speech was made in support of trade legislation that included retaliatory steps against Japan for what is widely seen in Congress as Tokyo's restrictive trade practices.

The document, Mr. MacMillen cited, purports to advise Yasuhiro Nakasone, who retired as Japanese prime minister in October, that he could "try to coordinate Japanese investment strategies in the U.S. to maximize the political payoff via individual congressional districts. Of course, Japanese interests can still rely on the service of Washington lobbyists and sympathetic former U.S. public officials to gain access when needed. Still,

we should have Japanese coordinating our interests."

It also says: "We now have various states in the U.S. competing against each other for Japanese R & D and investments. Whatever administration is in power, we can now virtually defy the U.S. on a number of trade issues, and have many governors and congressmen assisting us in the process."

In the upper left-hand corner of the paper is what purports to be a Japanese ideogram, above the words "Internal Document." It is addressed "TO: Prime Minister, FROM: Cabinet, Special Assistant for Policy Coordination." In one corner are the words "Unauthorized Translation."

The problem with the document is that it is a fake.

Mr. McMillen received his copy at a congressional breakfast where the host was Ronald A. Morse, secretary of the Asian program at the Woodrow Wilson Center for Scholars. The memorandum was created by Mr. Morse, who said he conceived it and distributed it to the lawmakers as a way to dramatize Japanese attitudes toward foreign investment in the United States.

"I wanted to give them some sense of the psychology of the Japanese," Mr. Morse said. He also said he had told the congressmen that the two-page memorandum was a counterfeit.

Perhaps it was the early morning hour and the surfeit of food, but

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London Docklands: Building a City From Scratch

By Warren Getler
International Herald Tribune

LONDON — Seen from the elevated tracks of a new rail line that cuts through its center, much of the London Docklands appears as an eerie moonscape. This flat, 8.5-square-mile (22-square-kilometer) expanse of concrete, old warehouses and unused wharves along the River Thames is being converted into communities of luxury apartments and towering corporate office buildings.

It is a development on a grand scale, attracting more than £2.2 billion (\$4 billion) in investment from the private sector since 1981. For every £1 of public funds, Docklands has attracted £9 of private investment, the project's planners say.

Docklands is by far the largest urban redevelopment project in Europe, encompassing 5,100 acres (2,054 hectares) of land and some 11 million square feet (1 million square meters) of office space to be developed by 1997.

The job involves building a modern, functional city infrastructure from scratch. It will include 50 miles (81 kilometers) of new roads, 15 miles of new rail lines, new communication systems and a new airport, the London City Airport, which is already open and serving Western Europe.

Housing starts from July 1981 to March 1987 totaled 7,000. Original projections were for 25,000 by the late 1990s.

But the gloom prevailing in world financial markets since the Oct. 19 crash has worried Docklands developers and real estate agents, many of whose clients have postponed decisions to set up home or shop.

"Some deals have fallen out of bed because of the stock market crash," said Dominic Grace, head of the Docklands office of Savills Ltd., a London real estate agency. "If there's going to be a real downturn in financial markets, Docklands is going to be affected more than other areas because we are a less-established market."

Another source of concern is the problem of mesh-

ing pockets of working-class neighborhoods that have weathered the changes in the area with new high-priced waterside apartments and their affluent occupants. Unemployment in the area is at 20 percent, more than twice the national average.

An estimated 50,000 original Docklanders still live in the area, mostly in the peninsula-shaped Isle of Dogs, where extensive commercial redevelopment is under way.

Ted Johns, a director of the Association of Island Communities, a local pressure group, said: "Our real

'We survived Hitler's bombs but we're not sure we'll survive the bulldozers.'

A Docklands resident

concern is that the seeds of future social unrest are being sown here. Most Docklanders who have lived here for generations feel that they are being reduced to a bunch of bewildered bystanders. We survived Hitler's bombs but we're not sure we'll survive the bulldozers."

The area, once a busy commercial center for cargo ships, lapsed into virtual disuse over the past 20 years, largely the result of more efficient ports for containerized shipping located farther down the river and along England's coast.

But in the past several years, with gentrification and the lure of tax incentives, businesses have edged into central London's eastern-most corner. They were led by several large newspaper operations, including Rupert Murdoch's News International PLC, owner of The Times of London.

Mr. Murdoch's move two years ago to a new, automated printing site triggered a decamping of other British newspapers from their traditional Fleet

Street headquarters to new, cost-efficient plants in the Docklands.

The changes in the area began about 1981, when Prime Minister Margaret Thatcher's government established the London Docklands Development Corp. The government's aim was to attract industry to regenerate the area, and to provide a variety of housing.

To date, some £250 million in government funds has been allocated to improving services in the area. But the task of laying the groundwork, especially in providing roads, has been set back by delays and has led to sharp criticism from the Confederation of British Industry, an influential trade group.

The Docklands Development group has set aside some 4,000 new homes for middle-income residents starting at £40,000.

The luxury apartments coming onto the market are considerably more expensive. New two-bedroom flats cost about £300,000.

Luxury family apartments — with some 2,000 square feet of space, a river view and three to four bedrooms — will command prices tags of from £750,000 to £1.5 million. Prices of prime waterfront flats in the Docklands are comparable to prices in Chelsea and Kensington, two of London's most upscale areas.

If the Docklands project unfolds as planned, the area may well shrug off the stigma of being London's backwater and emerge as a choice place to live and do business.

That may take another decade, however, as boutiques, restaurants and other social amenities are still only a gleam in developers' eyes.

"There really isn't much in the way of infrastructure and amenities yet," acknowledged Mr. Grace. "The market has relied on people taking a confident view of the future."

The Docklands location makes it attractive to London's expanding financial-service sector, which for centuries has been bottled up in the nearby square-mile district on the east side known as "the City."



Karl Heinz Kurlitz/The Associated Press
FOR THE DEFENSE, IN DUSSELDORF — Eckhart Hild, a defense attorney for Abbas Ali Hamadeh, who is accused of kidnapping two West Germans in Beirut, going to his client's trial in Düsseldorf on Wednesday. Mr. Hild told the court that Mr. Hamadeh, a Lebanese-born West German citizen, was considered a traitor in Beirut and would be killed if he returned.

U.S. Legislator Assails 1987 Report From Reagan on National Security

By Richard Halloran
New York Times Service

WASHINGTON — The chairman of the House Armed Services Committee, Representative Les Aspin, has issued a blistering criticism of a year-old report from President Ronald Reagan on his strategy for achieving national security.

Mr. Aspin, Democrat of Wisconsin, said Tuesday that the Reagan report did nothing "to inform, enlighten or provoke intelligent debate." He said the report was "laced with truisms and banalities to the point of embarrassment."

In unusually harsh words, Mr. Aspin particularly assailed Mr. Reagan of making "a precipitous decision" to enter the Gulf "tanker

war without benefit of prior consultation with either the Congress or allies."

A staff aide said Mr. Aspin had held his criticism until now to prod the administration to submit a report to Congress next month that was more to his liking. The reports on strategy are required under a 1986 law that reorganized the Joint Chiefs of Staff and other top levels of the Defense Department.

In the report last year, Mr. Reagan said the security objectives of the United States included deterring attack on the United States, maintaining alliances, dealing with threats such as terrorism and preventing the spread of nuclear arms.

A White House spokesman did not return a call asking for comment on Mr. Aspin's statement. Congressional officials suggested that Mr. Aspin had other motives for issuing the statement now. One possible motive, they said, was to enter an emerging debate over military strategy. Aides to the secretary of the navy, James H. Webb Jr., have said Mr. Webb plans to deliver a major address on the issue next week.

Judging from his writings and speeches, Pentagon officials said, Mr. Webb is expected to recommend that U.S. Army and Air Force units in Western Europe be reduced, that European nations be required to provide more resources for defense and that the navy grow beyond the present 600-ship goal.

Finally, staff aides said, Mr. Aspin wants the Armed Services Committee and the rest of the Congress to widen their focus from

weapons programs to issues of national strategy.

In his statement, Mr. Aspin said Congress was paying too much attention to problems in acquiring weapons, such as "ludicrously overpriced hammers and toilet seats." Instead, he said, "the most serious problems arguably lie within the fundamental determination of our national security policy."

"We should, of course, pay the closest attention to how we buy our weapons," he said, "but we should pay even closer attention to what it is that we're buying them for."

Mr. Aspin said Mr. Reagan's report "fails to answer the question Congress asked it to address." He said that "it does nothing to relate forces to strategy" and that "it tries to lay out a strategy without any reference to the costs."

For instance, Mr. Aspin said, "there is no estimate of how many divisions and brigades would be needed to carry out our policy of defending the Gulf 'with reasonable confidence.' He faulted the administration for failing to say "whether we plan to do this alone or only with military assistance from our friends and allies."

"Unfortunately," he said, "there is abundant evidence of either extraordinarily careless writing or preposterous content."

The president's report, for instance, appeared to commit the United States to attaining "world freedom." That implied, Mr. Aspin said, that "we mean to free, among others, the citizens of the Soviet Union" and that "we must have figured out some way to do that."

By James LeMoyné
New York Times Service

SAN SALVADOR — President José Napoleón Duarte has accused Salvadoran leftist guerrillas of killing a leading human rights official here three months ago.

Mr. Duarte said Tuesday that a captured guerrilla had confessed that he had helped kill the official, Herbert Anaya Sanabria.

The guerrilla has told the authorities that the rebels suspected Mr. Anaya of being a government spy and wanted the government blamed for the killing. Mr. Duarte said at a news conference.

The suspect, Jorge Alberto Miranda Arévalo, was arrested by the police on Dec. 23 for robbing a

truck. Mr. Duarte and Justice Minister Julio Alfredo Samayoa said Mr. Miranda was not presented to reporters.

[In a brief interview with a local television station Tuesday night, Mr. Miranda acknowledged that he was a guerrilla and said he had participated in the murder of Mr. Anaya. The Washington Post reported. He made the statements after giving four hours of court testimony before being taken to prison.]

[Mr. Miranda's family and the organization that Mr. Anaya had headed, the nongovernmental Commission on Human Rights in El Salvador, challenged the account.

"We categorically reject this show by the government," a spokeswoman for the commission said. "Tomorrow we will present evidence that it was the security forces." The government and U.S. Embassy say that the commission is linked to the insurgents.]

Mr. Duarte said that Mr. Miranda, who is a student, gave a sworn statement Monday that he was a member of an urban guerrilla unit and that he had taken part in the killing of Mr. Anaya.

The police in El Salvador have a long history of forcing confessions from prisoners, making it difficult to judge the truthfulness of a confession by a man who has been in police custody for two weeks.

However, the president said that Mr. Miranda had voluntarily confessed to being a member of the People's Revolutionary Army, one of the largest guerrilla forces in the Farabundo Martí National Liberation Front.

Two gunmen shot and killed Mr. Anaya on Oct. 26 as he left his home.

Political killings have fallen dramatically in recent years, but they continue to haunt the government as a reminder of past human rights abuses and the failure to prosecute killers, many of who are believed to be in the army and the police.

The issue has been seen as a key aspect of the country's ability to achieve greater democracy in compliance with the Central American peace agreement.

The government's assertion that it had solved the case of Mr. Anaya's killing came a week before a meeting of Central American presidents, who are to judge the progress of the peace plan.

Mr. Samayoa said that Mr. Anaya had given a detailed account of how he and two other guerrillas from an urban rebel cell participated in the killing of Mr. Anaya.

Mr. Samayoa also said that Mr. Miranda had taken possession of two caches of weapons and that he had taken a polygraph test that indicated he was telling the truth.

WORLD BRIEFS

Mitterrand Sets Talks on Expulsions

PARIS (NYT) — President François Mitterrand has invited the United Nations High Commissioner for Refugees, Jean-Pierre Hocké, to meet with him Thursday to discuss the conditions under which Prime Minister Jacques Chirac expelled 12 Iranian dissidents.

A spokesman for Mr. Chirac said Wednesday in an interview that the meeting would "change nothing," noting that Mr. Mitterrand did not have the constitutional power to reverse the decision. Mr. Mitterrand, a Socialist, and Mr. Chirac, a conservative, have shared power since the conservative election victory of March 1986.

Forty Iranians have been on a hunger strike outside the office of the UN High Commissioner in the Paris suburb of Neuilly-sur-Seine since the expulsions on Dec. 8. In Libreville, Gabon, most of those who were expelled also are fasting. According to the Mujahidin Khalq, 11 of the hunger strikers have been hospitalized in Paris and in Gabon.

Pravda Assails Pentagon Laser Tests

MOSCOW (Reuters) — Pravda, the Soviet Communist Party newspaper, said Wednesday that recent U.S. tests of a laser to be deployed in space showed that the Pentagon intended to undermine the Anti-Ballistic Missile Treaty.

The U.S. Air Force confirmed this week that the first full-scale ground tests of the hydrogen fluoride-fueled laser known as Alpha had begun Dec. 23.

Pravda stopped short of calling the ground tests a violation of the 1972 treaty but said testing of the laser in space would be a clear violation of the pact, which bans testing of space-based interceptors.

Work Grows on Anti-AIDS Protein

NEW YORK (UPI) — Scientists from four major research institutions have independently discovered that a synthesized protein can prevent the AIDS virus from entering immune system cells and killing them, it was reported Wednesday.

The same discovery, hailed as extremely promising by a number of researchers, was announced last week by the California Biomedical Research Center, Genentech. On Wednesday, scientists at the Dana-Farber Cancer Institute in Boston, the Boston-based Biogen Research Corp., the Smith Kline & French Laboratories of Pennsylvania and the Basel Institute of Immunology in Switzerland all reported in the British science journal Nature that they had reached similar conclusions.

The synthesized protein, called CD4, appears to impede the ability of the HIV virus that causes AIDS to bind with healthy immune system cells. The scientists hope the protein can be the basis of a drug that can be given to people who have been exposed to the virus to prevent it from replicating. Although the protein works in laboratory tests, it has yet to be tested in humans.

Kim Young Sam Retains Party Post

SEOUL (AP) — Kim Young Sam retained his leadership of the main South Korean opposition party Wednesday after offering to resign over his defeat in the presidential election last month.

A special convention of the Reunification Democratic Party rejected Mr. Kim's offer to resign as party president by a vote of 819 to 76. The opposition leader assured supporters of a victory in upcoming legislative elections, but the mood appeared subdued in light of his defeat in the first direct presidential election in South Korea in 16 years.

Meanwhile, President-elect Roh Tae Woo accepted Mr. Kim's surprise offer Tuesday to discuss the political future of South Korea. Mr. Kim had earlier rejected Mr. Roh's offer to open a political dialogue. Mr. Roh was the candidate of the governing Democratic Justice Party.

Soviets Erase Brezhnev Place Names

MOSCOW (AP) — Soviet authorities stripped the name of Leonid Brezhnev from a city, from town squares and from Moscow neighborhood on Wednesday.

Mr. Brezhnev, who was the Communist Party leader from 1964 to 1982, has come under increasing criticism for fostering complacency and cynicism. Tearing his name off the map was the latest example of Mikhail S. Gorbachev's reform campaigns.

Tass said Wednesday that because of citizen demand, the city of Brezhnev in the Tatar region, which was renamed when the former Soviet leader died in 1982, will revert to its former name, Naberezhnye Chelny. Mr. Brezhnev's name also was stripped from streets and squares in Moscow, Leningrad and other cities.

Dissent Letter Reported in Romania

VIENNA (Reuters) — A former leading Romanian Communist was reported on Wednesday to have written to President Nicolae Ceausescu to urge fundamental change to save the country from economic disaster.

"The political atmosphere is extraordinarily repressive," Karoly Kataly, a former member of the Communist Party Central Committee, was quoted as saying, according to a Hungarian translation of the letter sent out of the country by Romanian dissidents. He accused Ceausescu of surrounding himself with people who are "simply careerists and adventurers, who have not the least sense of responsibility."

Mr. Kataly is an ethnic Hungarian who fell from grace in the late 1970s and who runs an enterprise in the central town of Timisoara. The letter, dated Aug. 16 last year, forms part of a document produced by the Hungarian Press of Transylvania, an underground group of ethnic Hungarians. The comments could not be confirmed, but Vienna-based analysts noted that Mr. Kataly had spoken out in the past.

For the Record

Foreign Minister Shimon Peres of Israel testified in a closed session Wednesday at the trial of Mordechai Vanunu, a former Israeli nuclear technician accused of selling Israeli nuclear secrets to a British newspaper. Mr. Peres declined to comment after the session. (UPI)

TRAVEL UPDATE

France to Speed Processing of Visas

PARIS (AP) — Foreign Minister Jean-Bernard Raimond said Wednesday that a computerized network was being installed that would help French consulates respond more quickly to visa requests.

Mr. Raimond's spokesman, Jean Guéguinou, said France had established four categories of countries for the handling of visa applications. For the most sensitive countries, he said, applications require authorization from the Interior Ministry. For East-bloc countries, there is an inquiry and a delay of up to 20 days. Applicants from countries whose citizens are "potential clandestine immigrants" must have round-trip tickets and prove they have resources and a place to stay. For citizens of countries that present no risk, visas normally are issued immediately on request. Mr. Guéguinou said.

Hungary has ended negotiations with Western airplane manufacturers on the purchase of passenger jets and is considering the purchase of Soviet planes instead. Transport Minister Lajos Urban said Wednesday. The Czechoslovak press agency CTK reported Wednesday that half of that country's passenger fleet would be replaced with Soviet-built planes during the next three years. (AP)

Spanish rail workers called off the strike they had planned for Friday after reaching an agreement with management, a spokesman for the state railroad company said.

Heavy fog smothered Istanbul and Ankara on Wednesday, halting shipping through the Bosphorus and bringing air traffic to a halt. (AP) Yugoslavs were warned to stay off Belgrade streets because of dangerous smog levels, the newspaper Politika reported Wednesday. (Reuters) Channel ferry service to Dover was disrupted Wednesday after three Sealink ships voted late Tuesday to hold a 24-hour strike in dispute about manning levels.

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NASA Engineers Find Another Flaw In Booster Rocket

By David E. Sanger

New York Times Service

NEW YORK — A second flaw in the redesigned shuttle booster rocket has been discovered by engineers from Morton Thiokol Inc. and NASA. Their further examination of last month's test firing showed that hot gases reached an O-ring seal in a critical rocket joint.

Officials of the National Aeronautics and Space Administration said they were not excessively concerned by the discovery, because the O-ring had stopped the gas and was not damaged. But they conceded that the seal should not have been exposed to any heat or gas at all.

The joint, near the rocket's nozzle, was one of the components redesigned after the space shuttle Challenger blew up in January 1986.

"We are studying it to see why it happened," said David Winterhalter, who oversees the booster-jet program at NASA headquarters in Washington. "But we do not believe it is harmful."

The discovery came only days after NASA announced that another critical component of the booster, a carbon boot ring that secures a section of the rocket's nozzle, had failed in the test and had broken away. That surprise discovery led the agency to impose a delay of its plans to resume shuttle flights in time until at least August. The next launching may be pushed back until 1989 if the latest findings indicate other persistent problems.

On Tuesday, NASA officials in Washington and Huntsville, Alabama, and Thiokol officials in Utah conferred by telephone to determine how to redesign the boot ring, which secures a mechanism that allows the nozzle to swivel when the shuttle is being steered.

Although NASA officials played down the most recent discovery that gas had leaked to the rubber O-ring seal, other experts were not so sanguine.

A panel of National Research Council scientists had warned in June that the joint where the leak occurred might fail to meet the agency's new safety requirements. That joint links the nozzle at the base of the rocket to the segments that contain the booster's solid propellant.

The explosion that destroyed the Challenger and its crew of seven began with the failure of O-rings at another joint higher on the rocket.

As a result, the joint was extensively redesigned. Another O-ring was added, along with a bolt that is intended to keep the two parts of the metal rocket casing from separating under the tremendous internal stress that builds up when the rocket fuel is ignited.

NASA officials said in recent days, before the discovery of the most recent flaw, that they were still unsure how long the next launching of the shuttle will be delayed.

Before testing can resume, they must install a new 8-foot-round boot ring in the shuttle's nozzle.

NASA officials say they will probably adapt one of the same design that was successfully tested in August. That means disassembling the set of booster rockets that was supposed to be shipped this week to Cape Canaveral for the launching that NASA had hoped would take place June 2.

Pittsburgh Faces Crisis In Oil Spill

United Press International

PITTSBURGH — An oil slick on the Ohio River threatened the water supply of a million people in 80 communities Wednesday while thousands of households in suburban Pittsburgh were forced to cope without running water for a third day.

The U.S. government said that the situation could last weeks.

The crisis began Saturday night, when an Ashland Oil Co. diesel fuel tank collapsed 27 miles (43 kilometers) upstream from Pittsburgh. About 3.5 million gallons (about 13 million liters) of the oil gushed out, and an estimated 1 million gallons flowed over a dike into the Monongahela River, which runs into the Ohio River in Pittsburgh.

Ashland's chairman, John Hall, said Tuesday that the tank was built without written permits. He said the four-million-gallon tank had been filled to capacity and apologized for "any inconvenience" from the oil slick.

Water shortages and mandatory conservation forced schools, factories and car washes to close. Hundreds of workers were idled.

Oil has contaminated 70 miles of the Monongahela and Ohio rivers, forcing water utilities in Pennsylvania and Ohio to close.



A worker preparing Wednesday to pump fuel left in a pool after a tank ruptured at an Ashland Oil depot on the Monongahela River. The spill sent millions of gallons of oil down river to Pittsburgh.

Wider Cancer Risk Found in Radon Gas

By Cass Peterson

Washington Post Service

WASHINGTON — The risks of developing lung cancer from exposure to radon gas are about three times higher than the most commonly used estimate, and smokers are at dramatically higher risk than nonsmokers, according to new data compiled by the National Academy of Sciences.

Radon is a natural, odorless radioactive gas that seeps into buildings from underground.

The National Research Council, a research arm of the National Academy of Sciences, confirmed Tuesday that the cancer risks from radon are about the same as those

cited by the Environmental Protection Agency in its effort to induce homeowners to test for radon.

However, it said the risks are sharply higher than the estimates in a 1984 study widely used by U.S. radiation experts.

The council also said that ending exposure to radon can reduce the risk of cancer but apparently cannot eliminate it. According to the analysis, the effects of radon decline, but not to zero, regardless of the number of years since exposure.

Radon is formed by decaying uranium and radium in the soil. The gas is ubiquitous and apparently harmless in the environment

but can accumulate to dangerous levels in mines and in buildings. As a cause of lung cancer, the Environmental Protection Agency considers it second only to smoking.

The agency and the Nuclear Regulatory Commission asked the research council to study the problem in 1984, after the National Council on Radiation Protection issued a study that, according to some scientists, underestimated the risk of radon. The Environmental Protection Agency subsequently developed its own risk estimates.

That is about three times higher than the estimates from the 1984 study. The report warned, however, that uncertainties remain.

The council used a new statistical technique to analyze data from four epidemiological studies involving about 22,000 miners.

It also found that the risk to smokers is "10 or more times greater than in nonsmokers." According to the report, smoking does not appear to be simply an added risk but can multiply the risks of radon.

equivalent of 100 picocuries of radon — twice the agency's safety guideline — would face a lifetime lung cancer risk 1.5 times that of someone exposed to background levels of radon.

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The National Research Council essentially validated the agency's risk figures. It concluded that someone exposed each year to the

GM Gears Its Drive To New Technology

'Listening' Cars, No Steering Wheels And the Cadillacs May Grow Longer

By John Holusha

New York Times Service

NEW YORK — The General Motors Corp. is showing off its technological visions of the future, even though some of its high-tech efforts have been less than wildly popular with consumers.

Talking cars will be replaced by cars that listen. Joy sticks may supplant the steering wheel, and future Cadillacs are likely to become longer, lower and wider, GM says.

The company wants to recapture the technological high ground in the auto industry in a bid to enhance its reputation and sales.

GM brought its visions to a three-day exhibition that opened Tuesday at the Waldorf-Astoria Hotel. Roger B. Smith, the chairman, labeled the exhibition as "a progress report" to stockholders and potential buyers. It details the company's advances in electronics, computer-aided design and in materials, as well as in employee relations.

But the centerpiece of the exhibit is a series of "concept cars" — hand-built, one-of-a-kind models intended to indicate trends in styling and to test public reaction.

One entry is the Cadillac Voyage, completed a few days ago after round-the-clock work through the holiday season. The car appears to be an implicit admission that the division's sales difficulties stem from a perception by buyers that current Cadillacs are short, underpowered and uninspiring.

The Voyage is more than a foot longer than the Deville and Seville models, and wider. The V-8 engine has been tuned to produce 275 horsepower, compared with 155 horsepower for the 1988 models.

This is the Cadillac sedan of the 1990s, said Chuck Harrington, Cadillac official. "It's not any specific model, but an expression of where we are heading."

The car is crammed with electronic technology. The simple rearview mirror has been replaced by a camera in the trunk feeding a cathode-ray tube in the dash. Another screen displays an inertial navigation system called ETAK, which continuously tracks a car's position on a moving map while the car is rolling.

There are questions as to whether the cost of these systems can be trimmed enough to make them practical and whether Cadillac buyers, who are largely older and less technologically inclined individuals, will find much value in them.

When Buick introduced touch-screen cathode ray tube controls in its Riviera model, which also has largely older buyers, there was a chorus of protests that the device

was confusing and difficult to operate.

The Voyage appears ambivalent on the appeal of technology. Despite the video screens and other devices, the main gauges are dials and pointers. "We have to strike a happy medium between a car that accommodates the driver and one that confuses him," Mr. Harrington said.

Nearby was the Chevrolet Venture, described as a prototype of a \$15,000 car for the mid-1990s. In contrast to cars of a few years ago that barked warnings to drivers, the Venture has a voice recognition system that permits a person to operate the radio or use the cellular telephone without touching any buttons.

The voice recognition system is similar to those developed for industrial use and is capable of recognizing only certain voices. This would be a serious limitation for pool cars or those in rental fleets.

Reaching farther into the future, GM has taken a project from its advanced design studio and included it in the exhibit. The SRV-1 takes the dramatic step of eliminating the steering wheel and the steering column that it sits on.

In their place are a pair of joy sticks, which GM officials said were derived from helicopter controls. The controls would activate electric motors to steer the wheels, similar to the way "fly by wire" systems operate on aircraft.

Removing the wheel and steering column "gives us a lot of space to play with," said Clark Lincoln, head of GM's Advanced Design Studio.

Mr. Lincoln said most drivers who have tested the model prefer to steer using two joy sticks, rather than one, perhaps because they are accustomed to having both hands on the wheel.

Oslo Leader to Visit China

OSLO — Prime Minister Gro Harlem Brundtland of Norway will make a weeklong visit to China starting Jan. 17.

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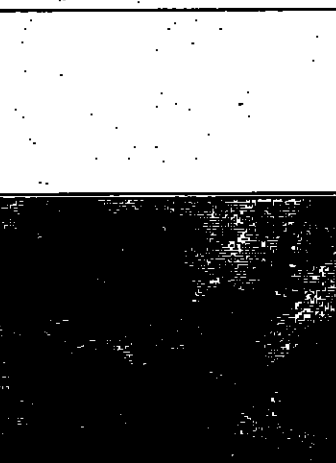
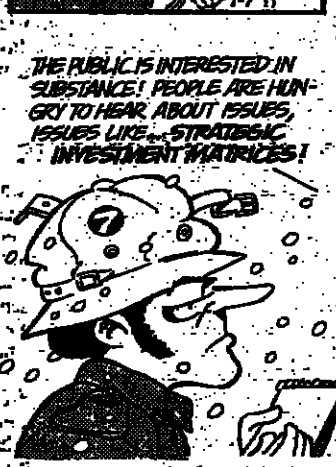
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Inouye Defends Aid to Sephardic Jews in France

Washington Post Service

HONOLULU — Senator Daniel K. Inouye said Tuesday that he had supported an \$8 million congressional appropriation to build schools for North African Jews living in France to help preserve their Jewish identity and, in the long run, save money for U.S. taxpayers.

It was the first full response of Mr. Inouye, Democrat of Hawaii, to a controversy generated by the inclusion of the funding in the \$600 billion spending bill Congress approved in December.

The State Department opposed the appropriation.

Mr. Inouye said he supported it after he was briefed on the plight of

400,000 North African Jews by officials of the New York-based Ozar Hatorah organization.

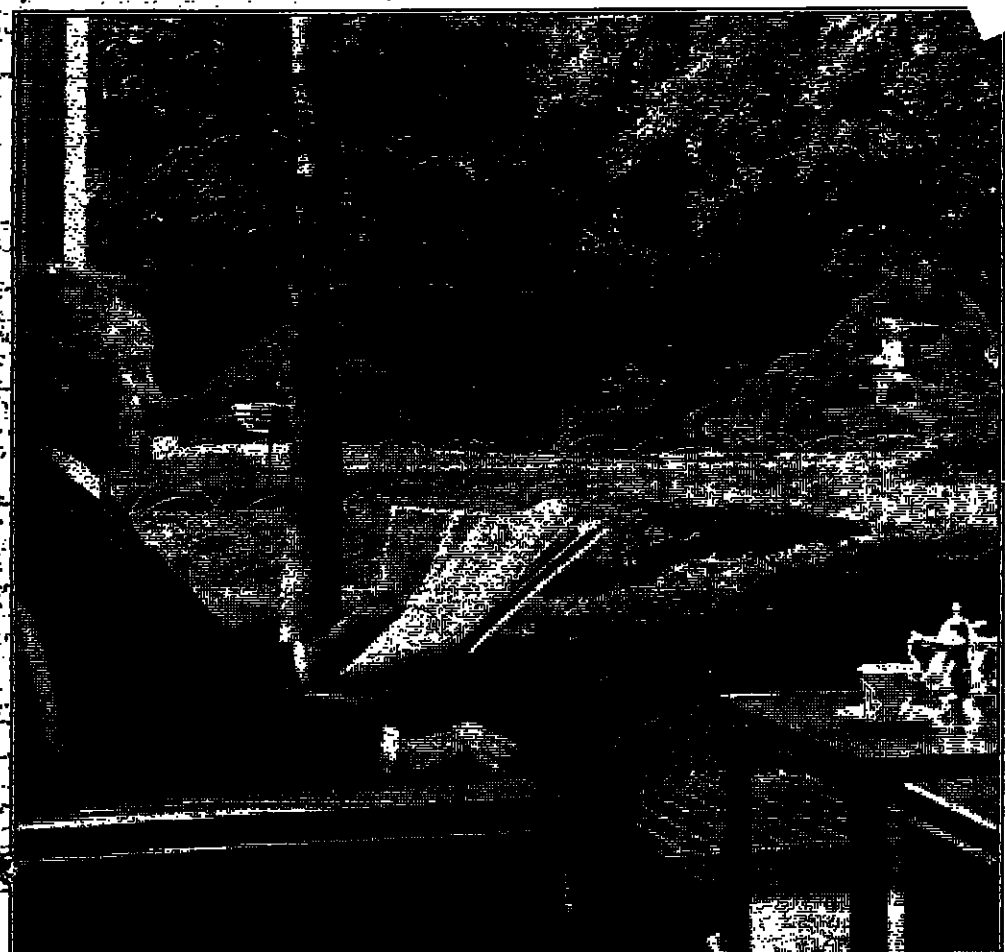
Because the Sephardic Jews are not a popular cause among the major U.S. Jewish charities, Ozar Hatorah turned to him for help, Mr. Inouye said.

He said it would be "outrageous" to suggest he supported the appropriation because Zev Wolfson, a board member of Ozar Hatorah, made a \$1,000 contribution to his 1986 senatorial campaign.

He said the appropriation was in the interests of the United States

because many of the North African Jews might move to the United States if they could not find satisfaction in France.

The appropriation bill classified them as refugees, even though neither France nor the United Nations does.



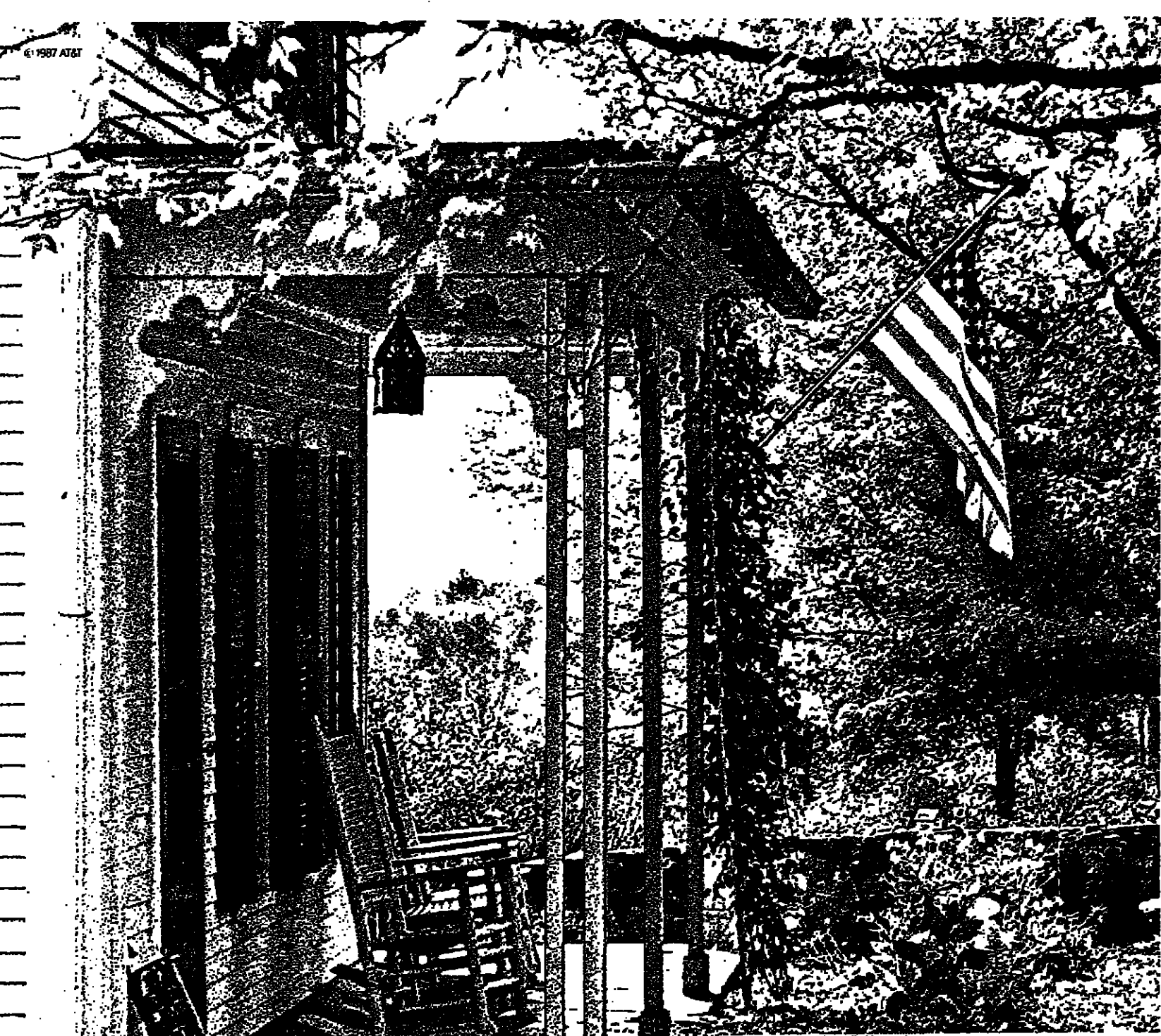
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Hope for the Debtors

It has been nearly six years since Mexico's debt crisis revealed the sickness that condemned the country and most of its neighbors to extreme austerity. Across the Atlantic, Nigeria's half-decade of economic decline is surpassed by the misfortunes of the rest of black Africa, which did not enjoy the oil bonanza to start with. But faint light now brightens these forests. Recent decisions by the richer countries should leave the poor less hungry and their governments less irate.

For the poorest countries, financial help from the intergovernmental institutions may be reinforced. The World Bank's capital, and thus its ability to lend to countries that cannot afford to borrow on commercial terms, will be increased by about 60 percent if the U.S. Congress agrees. The International Monetary Fund gets an extra \$8.5 billion to lend, on easy terms and over 10 years, to sub-Saharan Africa. Optimists will also note decisions by Britain, Canada and France to convert existing government loans to African countries into grants; but such steps need to be added to the present, sadly low flow of aid; they should not be just another way of channeling the existing volume.

The most encouraging development may be last week's initiative by Washington, Mexico and a large New York bank to restore some order to cross-border financial relationships. If creditors accept something like the present discount on their outstanding loans (the market puts it at around 50 percent), they could get a U.S. federal guarantee on the remainder.

How enthusiastically will banks go for this? The richer ones may like it. They can swap risky assets for a smaller but more secure portfolio. Others may be reluctant. The banks have no guarantee from Uncle Sam that interest payments, as opposed to capital, will flow in regularly. Whether this could be a model for coping with debt problems elsewhere is unsure. Although the U.S. government, and taxpayers, are not at risk, America may not be ready to deal this way with more distant debtors. And it is not clear that other creditor governments will follow the U.S. lead.

Still, the U.S.-Mexican initiative offers hope, illustrating as it does a new willingness to look beyond the insistence that all debt be paid in full, even though it is stretched out to Doomsday. What it does not do, and this is sensible, is signal major relaxation of the pressure on debtor countries to put their economies in order. Debtors must do this, gradually but unfailingly. For even if present debt is partly forgiven, they will need to borrow more if they are to develop, and they cannot do it without sounder economies.

INTERNATIONAL HERALD TRIBUNE.

Abusers of Psychiatry

The latest reform to be announced in the Soviet Union promises to end use of psychiatry as a weapon against political dissidents, religious believers and others. This has been one of the most horrible Kremlin practices, applied against hundreds if not thousands of citizens. Torture and maltreatment by police are indefensible. Torture and maltreatment by doctors doing the work of police are the mark of savagery—not the surreal "doctors' plot" of Stalin's fantasy but a real one.

The changes said to be forthcoming would touch not only the relatively few victims who are dissidents but the many who are mental patients as well. Evidently, family members will now be able to appeal a relative's involuntary commitment. No society, not even a democratically ordered one, operates easily at the intersection of law and medicine. How Soviet society, given the way it is ruled, will operate is anybody's guess.

The matter of forcibly hospitalized dissidents remains special. If the official statements on the new dispensation are true, then any of the dissidents still incarcerated should be released, and no new cases opened. The burden will be on the authorities to permit enough independent investigating and reporting to convince other Soviet citizens that these atrocities are at an end.

—THE WASHINGTON POST.

Bush Ought to Tell

It has always been hard to accept that George Bush could at the same time be the most "completely involved" vice president of modern times, as he and President Reagan assert, and be disengaged from the Iran-contra affair, as he asserts he was. And it is getting harder as Mr. Bush still refuses to say more about his role in that disaster. That he is engaged in a presidential campaign is no excuse; a campaign is an occasion for coming clean with the voters, not for ducking.

It is true that he occupies a delicate position, caught between looking like a self-righteous goody-goody if he says more, or like an obsequious lapdog if he says less. But the dilemma here is not as harsh as it seems.

Another vice president, Hubert Humpfrey, learned that to postpone an independent stand can cost an election. In 1968 he was entreated repeatedly to set himself apart from President Lyndon Johnson on a much tougher issue, Vietnam. He finally did—on the last day of September, too late.

Since the Iran-contra scandal exploded, Mr. Bush has said only that he agreed with his chief in seeking freedom for hostages, yet had unspecified "reservations" about arms dealings with Iran. To harbor only vague reservations about such folly would demonstrate something about the judgment that Americans measure in their candidates.

He has refused for a year to say what he told Mr. Reagan after learning from Israel in July 1986 that the vaunted diplomatic channel with Iranian "moderates" involved a dangerous relationship with Iran's most radical elements. He is equally reticent about a newly discovered White House memorandum, dated February 1986, that describes pending arms deals as a "risky operation" lacking the support of the secretaries of defense and state but backed by the attorney general, the CIA director and the White House chief of staff. It describes Mr. Reagan and Mr. Bush as "solid" for the deals.

Why doesn't Mr. Bush explain himself? He argues that it is wrong to disclose his private advice to Mr. Reagan. "If the price for my winning the election is that I have to go out and violate that confidence," he says, "I'm not going to pay that price." But the confidentiality is to protect the president, not the adviser. Mr. Reagan has given no public sign that he wants Mr. Bush to keep quiet. On the contrary, he has told officials to cooperate fully with Congress and Lawrence Walsh, the independent counsel.

The vice president still wants to have things both ways. He told the National Press Club on Tuesday: "I'm not a kiss-and-tell. I'm not going to try and look good"—implying that he gave good advice but that it was not taken. If Mr. Walsh and his grand jury start asking him questions, he will have to respond, no matter how loyal. The Supreme Court ruled in the Nixon tapes case that even executive privilege must yield to the needs of criminal investigation; Mr. Bush would have to tell all he knows. Why not tell the public, too? Why keep hiding in President Reagan's skirts?

—THE NEW YORK TIMES.

Other Comment

Dollar: The Fed Joins In

The central banks of the major trading nations showed their muscle. After almost a year of rearguard actions by the Japanese and Europeans to try and stem the tide of speculation against the U.S. dollar, the U.S. Federal Reserve has finally joined in.

The judgment of dealers and investors has been that America's trading partners have a far stronger motive to sustain the dollar than the Americans themselves. Buoyant export sales promoted by the falling dollar help to sustain the U.S. economy through the presidential elections. For the Japanese, by contrast, every fall in the dollar shrinks the value of [their] huge portfolio of U.S. Treasury

bonds; and they and the Europeans are also anxious to save their exports from being priced out of the American market.

That is why the evidence of American willingness to ride to the support of the dollar is needed to impress the market. But unless and until the Americans are prepared to back their market intervention with higher interest rates and real restraint upon their budget deficit, the dollar will remain at risk. In these circumstances, America's trading partners should not forget that fears of higher interest rates resulting from the consequences of massive dollar buying by the central banks helped to spark off last October's crash. We do not want a repetition.

—The Daily Telegraph (London).

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India and China: Gandhi Needs a Salable Accord

By S. Nihal Singh

NEW DELHI — A quarter century after the Indian debacle in the 1962 war with China, the two countries are closer than ever to resolving the border issue. Whether the final gap is closed will depend largely on the skill of Prime Minister Rajiv Gandhi.

A recent round of official talks here, the eighth session between the two sides, did not yield dramatic results. But it managed to freeze the status quo on the border, opening the way for a real solution. The studied cordiality cultivated by both sides indicated that with this round the negotiating teams had completed their work.

A Chinese invitation to Mr. Gandhi to visit Beijing, which he accepted in principle, drove home the point. Further progress on a border settlement will have to come as part of a prime ministerial visit.

It was significant that the leader of the Chinese negotiating team visited Pakistan before the talks in Delhi to reassure Islamabad that close relations between the two countries would not be affected by a Chinese-Indian rapprochement.

The issue boils down to the Indian

leadership's will and ability to forge a border settlement, the contours of which are known to both sides and to the Indian public. Essentially, it would settle the problem on the basis of the status quo. But since China has added several thousand square kilometers to its territorial claim since the "package" was first offered by the late Prime Minister Zhou Enlai, the claim is unacceptable to India as it stands.

There are no doubt tough negotiations ahead; nobody doubts that a settlement will involve losing some territory claimed by India. So the issue is one of political management and of Mr. Gandhi's ability to sell the agreement to his people despite opposition attempts to exploit the issue. The prime minister's problem is compounded by the wide belief that he is prone to sign agreements too readily.

Yet a historic opportunity awaits him here. This issue brought the reign of his grandfather, Prime Minister Jawaharlal Nehru, to a close on a note of disillusionment. Nor was Prime Minister Indira Gandhi. Neh-

ru's daughter and Rajiv Gandhi's mother, able to solve the dispute.

There are reasons why India should seek an agreement with China. A long-running dispute like this is an invitation to tension, which can be revived at a moment of either side's choosing. More important, friendly relations with China would give New Delhi a maneuverability in foreign policy it has not had since the 1950s.

With Moscow making serious efforts to mend fences with China, India would be isolated if it were to remain at odds with Beijing. At the same time, a major hurdle to a Chinese-Indian rapprochement, Moscow's suspicion, has been lowered, both Moscow and Washington having encouraged India to befriend China.

China has its own reasons for wanting a friendly India. Tibet is China's soft underbelly. With a Tibetan population still unreconciled to Beijing's rule, as the recent violent demonstrations showed, India's capacity for mischief is considerable. It was not lost upon China that New

Delhi adopted a scrupulously "correct" approach to the disturbances.

Whatever their current relationship to Moscow, the Chinese do not wish to go back to the old ties. Beijing views the Soviet Union with considerable distrust and is acutely conscious of their long common border. Thus, while it is to Beijing's advantage to cultivate better relations with its superpower neighbor, its objective here is to lessen Indian dependence on Moscow, as improved Chinese-Indian ties would imply.

A realistic deadline for a historic visit by Mr. Gandhi to Beijing would be mid-1988, before the din of the next general election grows too loud. But Mr. Gandhi's work is cut out for him. Although he showed foresight in signing the agreement with Sri Lanka on the Tamil issue, his government's credibility is low. If he is to change that, he needs an agreement with China that his people will support.

The writer is a syndicated columnist and former newspaper editor in India. He contributed this comment to the International Herald Tribune.

Israel and the Palestinians: No Compromise in View

By William Pfaff

PARIS — Israel's government and its supporters abroad say its present policies are meant to make Palestinians and the Arab states eventually "see reason" and make peace. This is not a realistic argument if the Palestinians will not see reason as Israelis want it seen. Why should they? Slowly but surely they are winning the war they thought they lost in 1948.

That year brought a famous victory for Israel; 1956 and 1967 brought even more brilliant ones. In 1973 the tide turned. Israel did less brilliantly, defeating Egypt. Egypt's President Anwar Sadat forced it onto the political as well as military defensive. And Israel's invasion of Lebanon, in 1982, was a disaster — one from which Israel, like Lebanon, has yet to recover.

From 1949 to the 1970s the struggle was kept outside Israel. The invasions of Lebanon were meant to deal a final blow to the PLO. But Israel's enemy is not an organization. It is, in a significant sense, a people — a displaced and impoverished people who have nothing much left of their national identity except an irredentist passion.

Yasser Arafat and the PLO have been marginalized, while the Palestinian population inside Israel has been radicalized. The Israelis may regret the day when they had an organization to deal with, with a program, and a leader with whom to negotiate. The struggle more and more is becoming one of elemental communal forces as the Palestinian population, West Bank and Gaza included, slowly overtakes the Jewish population.

Violent incidents involving Palestinians have increased from 500 to 3,000 a year since the start of the 1980s. The latest have been the worst, and the most extensive. The West Bank Data Base Project, a private Israeli group, reports that the ratio of internally originated incidents of violence by Palestinians to those originating inside Israel has nearly doubled since 1984. In 1986 it was 13 to 1.

The PLO and the Arab states do not control what is happening. Arab governments have reason to be frightened of it. They have no interest in wars

they cannot themselves win. They have enough on their minds with the Gulf war and the collapse of Lebanon. King Hussein wants a settlement only if he can be convinced that it will last, and that the Hashemite dynasty and Jordan itself survive. The only peace plan Israel formally envisages would make his country into "Palestine."

For Israel the outlook darkens. There is no democratic answer to the problem of demographic shift from Jewish to Moslem majorities in the territories controlled by Israel. Israelis are paralyzed by political divisions, seemingly incapable of decision.

Neither Likud nor Labor has a serious answer. Both want impossible things. Labor would give back the occupied territories and expects peace in return. It almost certainly is too late for that. Neither Palestinians nor Israelis are likely to accept that. A former Labor cabinet minister and army chief of staff, Mordechai Gur, says, "People do not want to hear about concessions. But we must try. We have to."

That is a moral argument, but politically it no longer seems realistic.

Likud is nominally committed to the Camp David proposal for provisionally autonomous occupied territories. The majority of Likud supporters, though, believe that the West Bank is Biblical Israel, Judea and Samaria, and thus inalienable.

The real prospect is continued occupation of Gaza and the West Bank, continued colonization of both by Jewish activists, erratically mounting conflict between Israeli authorities and the Palestinians in the camps and between Jews and Arabs inside Israel, and the eventual expulsion of a part, conceivably all, of this Arab population — in circumstances, and with consequences, painful to imagine.

The alternative, disenfranchisement or a form of limited citizenship for the Palestinians of Israel, implies a level of political repression probably politically unsustainable, compromising the moral basis of Israel's own existence. Even now, emigration is increasing; more Jews are leaving Israel than are entering it.

A policy of repression would also jeopardize Israel's claim to support from the Western democracies. The Jewish community in the United States is very troubled even now.

It is hard to paint a brighter picture. The nation seems trapped in its present course, while its enemies offer it little incentive to try to break free. Washington might have the power to impose change, or it might not — but it has neither the will nor the political mandate to try.

Yet standing firm, repressing Arab violence and insurrection, expelling real and supposed leaders of Palestinian violence, bombing the Palestinians outside Israel, insisting that the trouble is all a matter of outsiders and professional terrorists, blaming press and television — it all goes nowhere. It does not buy time. Time for what?

Israel has been losing political and strategic ground since 1967. The Palestinians have been gaining. Neither has moved toward compromise. Neither, now, may be capable of compromise.

International Herald Tribune.
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A Chastened Senator With a Future

By David S. Broder

WASHINGTON — America has been built by men and women who were strengthened by adversity and learned from their mistakes. At the start of this presidential election year, I want to spend a moment on a man who is, contrary to his expectations, not running. Joseph Biden is a healthy reminder that there are victories which are not measured in votes.

In the view of this longtime skeptic, Senator Biden has grown up tremendously in the four months since he withdrew from the Democratic presidential race amid a swirl of controversy about

He has begun impressively by running the Judiciary Committee hearings on the Supreme Court nominations of Judges Robert Bork and Anthony Kennedy with skill, tact and fairness that earned bipartisan praise. In leading the effort that defeated Judge Bork and set the stage for confirmation of Judge Kennedy, Mr. Biden rose above partisanship and narrow ideology.

He does not exaggerate when he says that those hearings helped educate the nation on the qualities that

broader than the rhetorical framework of his aborted presidential campaign. Last year, candidate Biden was forever praising the special qualities of his contemporaries who came of age in the 1960s. This year, Senator Biden is cautioning "people in my generation not to forget that we have had more than 40 years of peace in Europe, and nuclear weapons have been part of it."

"That doesn't mean we have to cling to nukes," he said. "But as we reduce the nuclear arsenals, we better have a plan in place that will assure the security and peace of Europe for the next 40 years."

The same enlarged perspective applies to his role in politics. He has not changed his view that "the next five years can be as important, for good or ill, as the first five years after World War I or World War II."

Given the changes in the Soviet Union, China and the world economy, that is probably no exaggeration. But now that he is out of the presidential race, Mr. Biden is able to see that his campaign hymns to "presidential leadership" begged the question. To lead, you must have a sense of direction. He now says, convincingly, that he understands it is not enough to say, as he often did, "I can move a generation."

"If you can 'move a generation,' people will see it. You talk about where you want to move — not how good you are at moving," he says.

Comments like that make me believe that Joseph Biden really has thought through what happened to him in 1987 — that he did, in fact, "learn a hell of a lot of lessons from my short-lived campaign."

As gifted as he is at 45, I think the Democrats will find him far better presidential material at 49 or 53 or 57 or 61. And meantime, Delaware and America have a senator who is providing no small service by taking on some of the most important challenges America faces.

Gifted as he is at 45, Democrats will find him far better presidential material at 49, 53, 57 or 61.

his exaggeration of his academic record and his alleged plagiarism.

The Biden I saw in a two-hour interview last week had no time for self-pity or self-justification. He was excited about the trip he was about to begin to Western Europe and the scheduled meetings with the leaders of Britain, France, West Germany and the NATO forces. He was looking ahead to a year in the Senate in which he will share the gavel in the hearings on the INF treaty and later conduct hearings on the War Powers Act and the procedures for committing U.S. forces in non-nuclear conflicts.

In his hard-earned wisdom, Mr. Biden readily acknowledges responsibility for most of the mistakes and misjudgments that led to his early departure from the race, saying that he was "cocky," "immature" and "naive" about the demands of a presidential campaign. Instead of re-entering the race, with the hope that voters would forgive and forget anything, as Gary Hart has done, Mr. Biden has chosen the harder path, working to gain greater respect in his present job.

are vital in a Supreme Court justice and the proper role of the Senate in filling court vacancies. They also made it clear to everyone, including the Supreme Court, that a national consensus exists on the civil rights gains that the high court certified during the past generation.

After listening to him, I believe that Mr. Biden is just as well prepared to use the 1988 Foreign Relations Committee hearings for a similar educational purpose: "to re-establish an essential bipartisan center... that can sustain foreign policy on a stable basis."

That is an ambitious goal, but Mr. Biden has managed to formulate the fundamental questions that need to be answered in considering the INF treaty and the war powers legislation: How should the Atlantic alliance organize its security and assure cohesion in an era when nuclear forces are progressively being reduced, not increased? In what circumstances and through what processes should the United States commit its forces in a limited war?

Mr. Biden looks at these questions now in a perspective that is

The Washington Post.

Europeans Are Finding Their Voice

By Giles Merritt

B RUSSELS — The year 1987 brought Western Europe face to face with the idea of defending itself. Europeans know that an important shift has occurred. While the U.S. strategic nuclear umbrella continues to protect them, as it has for some 40 years, the guarantee no longer seems automatic. It exists only so long as the security interests of the United States coincide with those of Europe.

The proof of that assertion is the superpower agreement to scrap intermediate- and shorter-range nuclear missiles in Europe. The INF deal was not in the immediate defense interest of NATO's European allies, and it was concluded over their heads.

The signs are that East-West security will no longer consist of a Moscow-Washington relationship, with the United States speaking for Europe, but of a triangular relationship, with Europe having a separate voice.

The political processes that will bring this about are now firmly established and appear irreversible. Whether the European members of NATO end up turning to the revived Western European Union or to some more muscular organization, yet to be formed, most of them clearly are looking for a forum in which they can speak out a European defense security.

An independent European security policy does not mean the end of NATO as a military organization. Nor does it necessarily mean a weakening of the alliance. What it does imply is that the United States will no longer be able to take its European allies for granted. The days may be ending when American officials could drop through Brussels to "advise" the other NATO governments of actions already taken in their name.

Two parallel forces are pushing Europe to construct and implement a more autonomous defense policy.

The first is the need to ensure Western Europe against sudden changes in U.S. policy that might leave the Europeans exposed and vulnerable.

The need for such insurance has been high on Europeans' minds since the Reykjavik summit meeting in October 1986, when, without consultation with NATO, President Reagan placed strategic nuclear disarmament on the negotiating table. The prospect that talks beginning this year could lead to a halving of strategic weapons gives urgency to the Europeans' task of reassessing their role.

Few Europeans question the advantages of nuclear disarmament; fewer missiles and more good will should make the world safer. What they do fear is a vision of Western Europe's conventional military forces being laid bare before the might of the Warsaw Pact armies. That is why France and Britain have begun in recent weeks to discuss a joint project to develop a cruise-type nuclear missile, why West Germany has become so keen on developing its military relationship with France, and why the Dutch government has announced that, despite the INF pact, it will continue to deploy battlefield nuclear weapons.

The second pressure for a common European military organization is economic. The cost of strengthening conventional defenses is bound to be astronomical and will require new European industrial partnerships.

NATO experts say that even for the United States the cost of high-technology weaponry is becoming prohibitive — so much so that last year America built only 159 combat aircraft, down from about 3,000 a year in the late 1950s. The only way to stretch military budgets, these experts say, is NATO-wide policies for procurement.

That, probably, would mean that new generations of spy, combat aircraft or naval frigates would be bid for by competing U.S. groups and European consortia on a winner-take-all basis. There would at last be an Atlantic market for the more than \$150 billion that NATO countries spend each year on military equipment. Because of the competition, the taxpayers' money would go further.

Some analysts point to a third force pushing Europe to take greater responsibility for its security policy. It is the changing perception of the nature of the Soviet threat.

Europe's "rediscovery" of Russian culture, said Philip Windsor of the London School of Economics at a recent conference on trans-Atlantic relations, is helping to create a Soviet-European dialogue that will parallel the superpower dialogue. Taken with the economic rapprochement underway between the European Community and the Communist countries, the message is clear: Western Europe is now developing an Ostpolitik that will embrace both defense and trade.

International Herald Tribune.

100, 75 AND 50 YEARS AGO

1888: Germany Shivers

BERLIN — The new year comes, bringing to Germany cold weather. In Berlin it is said that the police are overworked in attempting to keep awake the cabdrivers, who go to sleep on their boxes and especially after dark are frozen before they wake. I can certify that the cabdrivers are generally asleep, though so far I have neither seen the police force rousing them nor found specimens of the frozen cab drivers. From Giesseu comes a story of deep snow, frozen birds and milk served in such solid blocks that it is chipped up and passed around at table like humps of sugar.

1913: Talks Suspended

LONDON — The Peace Conference has been suspended [on Jan. 6] "by the vote of the representatives of the Balkan Alliance." When the Conference met, the Turks agreed merely to abandon their rights over Crete on the express condition that no other

island in the Aegean Sea should be claimed by the allies. They refused to give up Adrianople. If the Powers do not force Turkey to her senses during the next two days, notice will be given by the allies that within four days hostilities will be resumed.

1938: Ford Is Confident

DETROIT — There is enough work to supply all the manpower in the country, Henry Ford said [on Jan. 6]. In his opinion, the nation can expect a fairly good year if people remain free from a feeling of panic, to which the industrialist attributes the present drop in business. Regarding the influence of financial groups, Mr. Ford said that the only group not suffering from the recession is the money lenders. "The money system is useful and necessary but out-dated, as is the prevailing belief that wages must be reduced and prices raised," he said. "Benefits accrue whenever prices descend and wages advance. Production should always precede profit."

OPINION

Yes, the Dollar Needs to Stop Dropping

WASHINGTON — Here is an acronym you should know: MEGO. It stands for "My Eyes Glaze Over."

The "Group of Seven" is a MEGO. The "unprecedented trade deficit" is another. And the "declining price of the dollar" is the biggest MEGO of all.

In the last few days, ministers and bankers of the Group of Seven got together to try to stop the decline of the dollar in light of the unprecedented U.S. trade deficit. That is, a triple MEGO: more stupidly soporific than sipping a glass of warm milk while watching the Democratic six-pack lobbyist marshmallows at each other.

Still, those who are determined to share the action and passion of their time must take a position on the American trade deficit. Is it good or bad? If bad, what is the best way to get rid of it?

Professor Herbert Stein, that marvelous brain of the economist's imagination, thinks that a trade deficit should not be the cause of hand-wringing. Countries have different cultures, and people overseas like to sell American things and squirrel away American dollars, while Americans like to spend dollars buying their stuff. Those national preferences cause the trade deficit.

Other unalarmed economists add that a trade deficit "problem" can be solved itself. As the deficit causes the dollar's value to decline, U.S. exports become more competitive while the goods American imports become prohibitively expensive. That enables U.S. business to hire more workers, raise prices and increase profits.

But there are three reasons that a whopping trade deficit, which results in a cheap dollar, is bad news.

By William Safire

The first drawback: It promotes inefficiency and inflation at home, because Americans lose the discipline of low-priced foreign competition.

Worse, a weak dollar enables the rest of the world to buy up American land, securities and companies. Such foreign ownership may provide needed capital, but enlightened jingoists believe that it makes the United States too dependent on foreign influences and too vulnerable to their internal weaknesses. (That's two reasons; big one to come.)

The groups in the seven governments decided that the dollar had been sinking too steadily — maybe falling too far, but the bankers are now more concerned with the rate of fall than the ultimate level. So they bought a bunch of dollars and drove the price up.

These economic types are no dopes; they know their game, long maintaining a currency against all private comers. But they wanted to show that they could act in unison and reassure the stock markets, scare currency speculators by showing them it is possible to lose money betting against the dollar, and show parachutists worried about "free fall" that the rip cords work.

But the nagging question remains: Why not let the dollar speak its natural level against other currencies? With American products cheaper, wouldn't we get even with the rest of the world that has been undercutting us with protectionism and is trying to force us to reduce our standard of living?

The answer in the hearts of U.S.

financial policy makers — the third reason that carries the day — is that we cannot afford a flight from the future. To them, "the future" is not tomorrow, or next year; it is the price today of 30-year U.S. government bonds. Those prices are determined by the interest rates that the Federal Reserve cannot manipulate; those long-term rates are dependent mainly on worldwide faith in the American system.

The imperative behind U.S. willingness to join other nations in slowing and ultimately reversing the rapid decline of the dollar is this: The United States cannot permit the erosion of its greatest psychological asset, the world's confidence in America's long-term stability.

That confidence was shaken as this decade began, when American inflation soared into the teens, and if not quickly shored up it might have led to a kind of financial AIDS; fortunately, the epidemic of that fear was averted when a painful but necessary recession broke the back of inflationary expectations. (A triple MEGO demands a triple metaphor.)

Today's threat to long-term confidence is not as serious: money is pouring into the United States because the U.S. economy is the biggest, most open and politically stable in the world. But the conviction that nothing is more important than rock-solid confidence in U.S. stability lies behind the decision to "defend the dollar" from a precipitate tumble.

The United States should lean on its trading partners to trim their surpluses and to lower their interest rates. That is the best way to stop the dollar drop and to avert a flight from the future.

The New York Times.



"Unconventional, but it involves no questionable methods."

Of Iceberg Tips, Alligators And Retinas for Breakfast

By Joseph M. Queenan

TARRYTOWN, New York — Executives become incensed when they spend 45 minutes speaking to a journalist, then find that the total extent of their contribution to the resulting article is a single cliché, bromide or platitude.

"What we've got here is a time bomb waiting to go off," says Jared Donitz, chief executive of Thermomaster Bobbin.

"Believe me, this is only the tip of the iceberg," cautions Chet Rodzinski, a top executive with Overnight Bathysphere.

"If it rains hard enough, everyone gets

about taxing capital gains, your eyes must kind of glaze over."

"Well, yeah."

"Could you say it, please?"

"Say what?"

"Say, 'Whenever I hear this stuff about taxing capital gains, my eyes glaze over.'"

"Whenever I hear this stuff about taxing capital gains, my eyes glaze over."

"Can I quote you on that?"

Business people sometimes know what you are up to. No matter how you try to trip them up, they keep peppering you with the technical jargon, the coherent explanations, the well-turned phrases. Jerks. My attitude toward them is: You bust my chops, I'll bust yours.

Look, Mr. Dibs: You, me and everybody else know that your outfit is up to its ears in alligators. I say, "Sooner or later, you're going to admit that. Now, I've got nothing planned for the evening. I can stay on this phone all night. So why don't you make it easy on yourself. Admit that you're up to your eyeballs in alligators, and we can call it a day."

If that doesn't work, I try threats.

"Mr. Jones, I don't care how large a dividend Interstate Quail Allay & Life paid last quarter. If you can't feed me something about the tip of an iceberg or a time bomb waiting to go off or an accident just waiting to happen, I don't think you deserve to see your name in print."

When that doesn't work, I wheedle.

"I've got four hungry mouths to feed. Mrs. Harris. Every minute you refuse to say 'I refuse to dignify those allegations with comment,' you're taking another gingersnap out of my kids' mouths. How's it feel, lady?"

Finally, there are bribes.

"I know that Preternatural Alpine Flakes lost \$237 million last quarter. Miss Ferguson, and I also know that the main reason was the rat retinas the FDA found in every third box of Kiddy Soy Doodles. But we can make those rat retinas mice kidneys in the edited version of this story, and we'll say you showed a \$4 profit for the quarter. The only thing you have to say is: 'What goes around comes around.'"

"What goes around comes around."

"Thanks."

Mr. Queenan is a writer. He contributed this spoof to The Washington Post.

Post-Summit Reservations

The summiters have been taking credit recently for their earnest search for peace. Meanwhile, not much has been said about what actually got the nuclear arms reduction pact going. The hater of the "evil empire" would never have agreed to an arms control treaty without some pretty strong pressure from a little-recognized source.

Mr. Reagan did, in fact, name that source, although only part of it and for the wrong reasons. He said it is us. And it is: the great crowds of people in the United States and everywhere who have struggled for a pause in the rush-to-obliteration that is the nuclear arms race.

Millions of people — who cannot afford it as they are not making money on government "defense" (Was Peace) contracts — spend their time and their money contributing to anti-nuclear organizations and peace movements. They have walked across the United States and lain in the path of weapons shipments. They have written letters to the Soviets, before and since General Secre-

tary Mikhail Gorbachev, and to the president and Congress of the United States. They have called and cabled.

Writers have written movingly in books and editorials. Former military people, scientists and physicians have joined to work for nuclear disarmament. Many who are deeply patriotic have been called traitors because they want peace for all and are committed to working for it. People in organizations like Greenpeace have lost their lives for it.

So Mr. Reagan is right; it is us — but not for supporting the bombing of Libya or the contra terrorists. It is us for bringing him to the bargaining table, better called the peace table.

There is some talk of the Nobel Prize for the Odd Couple. Right, they have our profound thanks. But the award should go to the private citizens of the world.

WILLIAM A. SIMPSON
Jacksonville Beach, Florida.

in Central America, Afghanistan and the Middle East with weapons manufactured by the two peace-loving nations.

BARRY RICH
Bamberg, West Germany.

Treaties Have Loopholes

Regarding the opinion column "Why INF Verification Is No Fool's Game" (Dec. 29) by William E. Burrows:

It is simplistic to assume that American allegations of Soviet arms control violations indicate either American dishonesty or the efficacy of national technical means of verification.

Contradictory interpretations of language, and loopholes in agreements, are a major source of such "violations." This is most clearly brought out in connection with the Reagan administration's allegation of Soviet violation of SALT-2 by the "nature and extent" of encryption of missile telemetry.

The Second Common Understanding of Article XV of SALT-2 permits each party to use "various methods of transmitting telemetric information during

testing, including its encryption," but bans deliberate denial of telemetric information (such as through encryption) when such denial impedes verification.

The Reagan administration has interpreted the clause to mean that any encryption that impedes verification is banned. The Soviets have interpreted it to mean that encryption is permitted as long as the overall ability to verify the agreement remains unimpeded. There is no mutually agreed criterion to determine when denial of telemetric information could impede verification. The basic difference in the degree of encryption permitted was not made clear during the SALT-2 negotiations.

RAHUL ROY-CHAUDHURY
Oxford, England.

Spending Like a Sailor

The sideways look at the economic crisis in "Catastrophe or Prosperity: Which Is the Real Economy?" (Dec. 18) by Robert J. Samuelson, was very good. I could never understand why no one said anything when President Reagan spent government money like a sailor. When Denis Healey, as chancellor of the Exchequer, did the same thing in the 1970s, everyone kicked up a fuss.

J. ROSS
Clacton-on-Sea, England.

Dutch Hospitality Endures

Your sympathetic depiction of the Netherlands and Amsterdam (Special News Report, Nov. 2) was greatly appreciated. As a Dutchman living in Rome, I can testify that Rome's beauty can only be compared to that of Amsterdam.

The Dutch worked hard for that beauty, while traditionally holding in high regard the contribution to Dutch culture and society made by the many religious and political refugees who settled in Holland. Some villagers may refuse temporary hospitality to refugees from Sri Lanka, but most Dutch people continue to believe in the civilized custom of providing asylum to those forced to seek it, whatever the color of their skin.

HENNY HELMICH
Rome.

GENERAL NEWS

Kremlin Shifts Top Troubleshooter

By Celestine Bohlen
Washington Post Service

MOSCOW — Yuri M. Vorontsov, Soviet first deputy foreign minister, is expected to relinquish his post as chief negotiator at the Geneva disarmament talks when they start up again this month, Soviet sources said.

The diplomat, viewed as Moscow's top troubleshooter, will be replaced by Alexei Obukhov, Mr. Vorontsov's deputy, they said. Mr. Obukhov is a veteran Soviet negotiator who headed delegations at the talks on intermediate-range and strategic nuclear weapons.

Soviet sources said Mr. Vorontsov was being released from his negotiating duties to spend more time on regional issues, specifically Afghanistan, which in recent days has emerged as a top focus of Soviet diplomatic activity. The Soviet foreign minister, Eduard A. Shevardnadze, returned Wednesday from Kabul after an unexpected two-day working visit.

Mr. Vorontsov, a former Soviet ambassador to Paris with good access to Kremlin policy makers, was in charge of the Soviet delegation in Geneva after the U.S.-Soviet summit meeting in Reykjavik. His arrival at the talks was seen as a

key sign that the Soviets were preparing for serious negotiations, and his more informal, businesslike style was credited for facilitating the process that led to the agreement this fall on shorter- and medium-range nuclear missiles.

The change at the top of the Soviet delegation in Geneva comes as the two teams begin work toward producing a treaty on cutting strategic weapons by 50 percent, in time for the Moscow summit meeting between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, scheduled tentatively for late May or early June.

BLOC: Shadow Societies Expand in Eastern Europe

(Continued from Page 1)

Shadow society, the motivation is not only the acquisition of necessities and luxuries, but also greater personal freedom. In many capitals, young people and neighborhood groups have organized their own entertainment and other social activities outside the framework of Communist Party or municipal government authority.

Discussing the nature and extent of the shadow society with a visitor, East European party authorities voiced deep concern, even despair. Some suggested that the spread of social and economic activities outside the government's reach was threatening the foundations of the Communist system in place for the last 40 years.

In East Berlin, a 57-year-old party official said: "There is a lot of energy spent on them in the neighborhoods in the churches and we are losing control over it."

Such concerns have been heightened by the recognition that despite the exactly planned nature of the Communist system, the complex social services provided by the state are becoming severely strained.

Speaking on condition that he not be named, a Prague government sociologist said: "Our analysis of the social structure and way of life for the last 15 years shows a certain depletion. We have many empirical research proofs showing a total breaking up of social development — a leveling off of the standard of living."

As governments in the East bloc have more and more difficulty supplying medical care, housing, and other social services, birth rates in all six countries are declining, despite generous new incentives for larger families. Life expectancy has dropped in some of the six countries — for example, in Hungary, from an average of 67 to under 65 — and families are feeling the pressure resulting from parents who hold two and sometimes three jobs apiece.

In these countries, where food, health, education, public transportation, and housing are heavily subsidized, the squeeze on ordinary citizens is amplified by increases in the costs of some consumer goods and rents and, in the case of Hungary, a new income tax. In some East European hospitals, patients are being asked to supply their own medicines.

Nowhere is the sense of deterioration more evident than in air and water pollution. For example, an official study in Czechoslovakia concluded recently that Bratislava is the most severely polluted city in all of Europe. Instead of allowing the analysis to be made public, the government pulped 2,000 copies and sought to retrieve those remaining in circulation.

A Czech water quality specialist confided to a visitor that Prague's drinking water contained such a high level of toxins that infants in the capital were restricted to drinking bottled mineral water.

Against this background, some East European officials view Mr. Gorbachev's call for "restructuring" as a critically needed impulse to rescue the system from itself and to reassert the supremacy of the ruling parties in areas where control is slipping away.

HOAX: 'Japan Letter' Was a Fake

(Continued from Page 1)

Some recipients said Mr. Morse's caveat was not clearly understood. The guy at the Wilson Center didn't explain it real well," said Jonathan Yates, Mr. McMillen's legislative director, and specialist on foreign investment.

Representative Robert K. Dornan, Republican of California, who also attended the breakfast, said he could not remember any warning regarding the document's authenticity. "I don't recall his saying it was bogus," Mr. Dornan said, adding that he had doubts about the document's authenticity be-

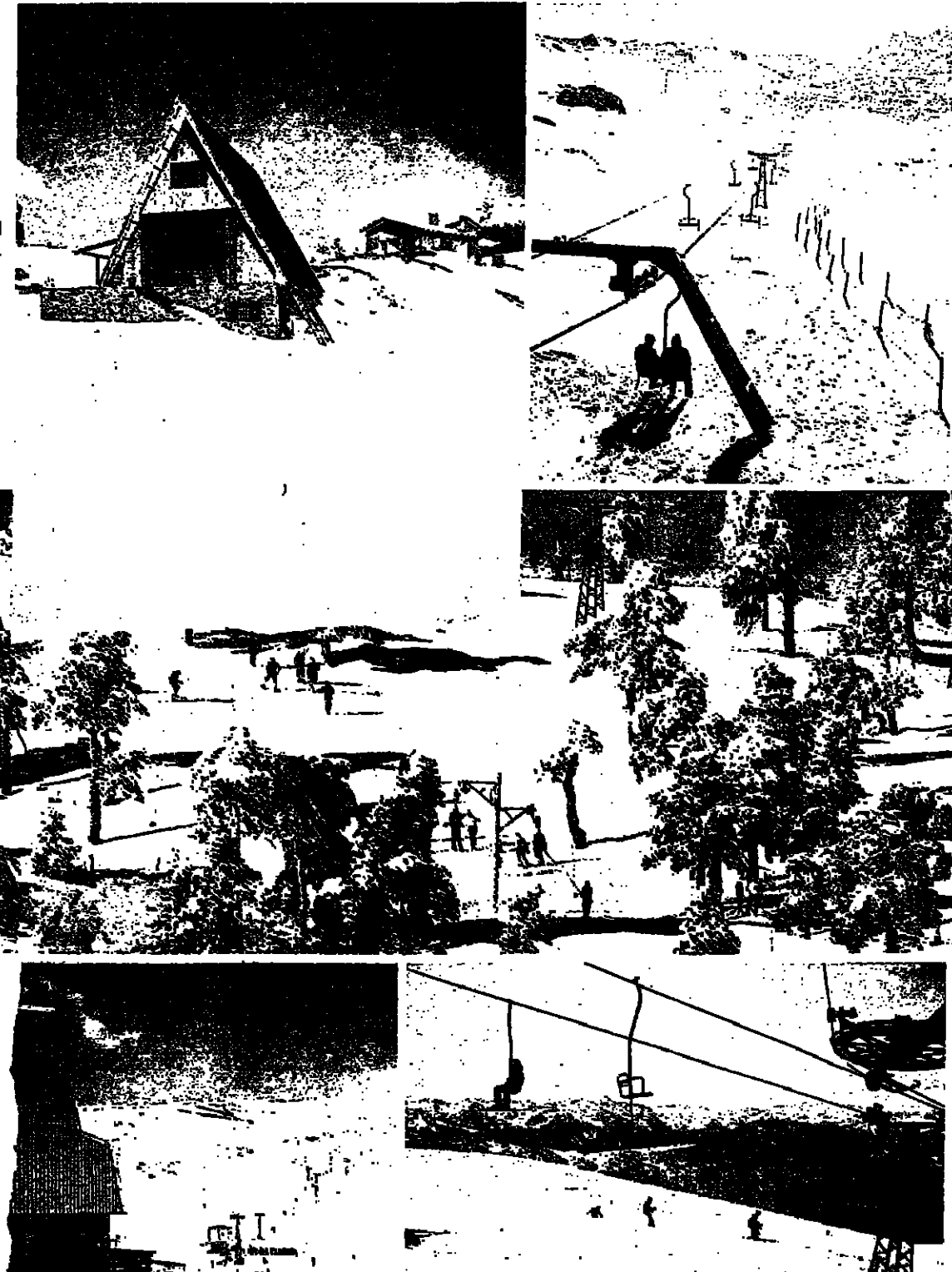
cause "it was too pat and too easy to read."

For his part, Mr. McMillen quickly learned that the document was bogus after his speech in the House on April 30 when, following inquiries from his colleagues, he checked with Mr. Morse. But Mr. McMillen has not placed a correction in the Congressional record.

"We decided to 'gut it out,'" Mr. Yates said. "We have only five days to revise and extend our remarks, and that period had ended by the time we found out."

But there is nothing to prevent a House member from taking the House floor to correct an earlier speech.

The hidden side of the sun.



Formigal (Huesca).

Navacerrada (Madrid).

Sierra Nevada (Granada).

San Isidro (León).

Baqueira Beret (Lérida).

In Spain, changing sand for snow and beach for mountains is only a matter of an hour.

To do that, you only have to be on any of the fabulous beaches on the coast near Granada. Just a few kilometres away you have the soaring peaks of the Sierra Nevada, where you'll find one of the most important ski resorts in Europe.

But this isn't the only place where you can get a good sunbath whilst enjoying your favourite sport. The Guadarrama, the Pyrenees and Picos de Europa are also ideal places to discover the other side of Spain.

A white Spain, where the sun still plays the leading role during the day and where the fun doesn't stop at night.

Spain. Everything under the sun.



4 Leading Haitian Politicians Boycott Presidential Elections

By Joseph B. Treaster

New York Times Service

MIAMI — With less than two weeks remaining before the presidential election scheduled by Haiti's army-dominated government, the four leading candidates have carried out their threat of a boycott and several key figures from the deposed Duvalier dictatorship are in the running.

The four politicians, as well as many civic and religious leaders, are urging Haitians to stay away from the polls to discredit the Jan. 17 election and are trying to rally international support to topple the government headed by Lieutenant General Henri Namphy.

Registration of candidates for the election ended Monday night. The electoral council appointed by General Namphy to conduct the election has not announced who is running, but 14 men have said they are candidates. Among them are seven who, in accordance with Haiti's new constitution, were disqualified from running in November because of close relationships with the dictatorship of François Duvalier or that of his son, Jean-Claude, who fled into exile in February 1986.

Some opponents of the Namphy government are urging the United States and other countries to cut off all aid to Haiti and impose a trade embargo, particularly on fuel.

As a last resort, two men who were candidates in an aborted election in November — Louis Dejoie 2d, 59, a building contractor, and

Sylvio Claude, 53, a Baptist minister — are calling for a multinational peacekeeping force to oversee democratic elections.

"Ninety percent of the Haitian people would welcome a multinational peacekeeping force," Mr. Dejoie said in a telephone interview from San Juan, Puerto Rico, where he lived in exile for many years.

In the last few weeks, he has been speaking by telephone from Miami and San Juan on radio talk shows to encourage anti-government demonstrations by Haitian exiles in cities in the United States and Canada and lobbying American members of Congress.

The election on Nov. 29 was halted less than three hours after the polls opened because of attacks in which at least 34 people were killed.

The Namphy government's relations with the United States and other countries, including France and Canada, have been strained since the aborted election, in which countless witnesses reported seeing soldiers shielding gunmen or actually shooting at voting places and voters themselves.

Since Jean-Claude Duvalier fled and General Namphy rose to power as head of the provisional government, the general has said that his main objective is guiding Haiti to democracy. But he refused to provide help and protection to the civilian council that tried to give Haiti its first presidential elections in 30 years, and he then blamed the

council for the failure of the election and disbanded it.

Hours after the voting was halted, the United States suspended all but humanitarian aid to Haiti. France suspended its aid on Jan. 1.

Diplomats say they will be surprised if a new electoral council, appointed by General Namphy, rejects any of the former Duvalier associates as candidates. Most of the 23 people approved as candidates last time are boycotting the election this month, including four men — Mr. Dejoie, Mr. Claude, Gérard Gourgue and Marc Bazin — whom diplomats estimated might have accounted for more than 80 percent of the vote.

The four leading politicians, dozens of civic and religious organizations and other opponents of the Namphy government say they see no possibility of blocking the election, but are urging Haitians to abstain from voting in hopes of undermining its credibility. They say they are convinced that the government intends to install a civilian president of its choice and keep real power in the hands of the 7,500-man army.

"We're not asking for a military occupation," Mr. Dejoie said by telephone from San Juan. "We're only saying that, if nothing else works, bring in a peacekeeping force so that a democratic government can be installed. We have a complete dictatorship now, and they will never let us have democratic elections. Someone has got to put them back in the barracks."

Mr. Dejoie and about a dozen other Haitians, some of whom are active in exile communities in Miami and New York, were flying Tuesday night to Barbados, where the leaders of the English-speaking countries in the Caribbean — the most influential group in the region — were to meet Wednesday to discuss the coming elections in Haiti.



GALE IN BRITAIN — A policeman leaned Wednesday against wind that blew over a truck near Bristol, England. Gusts up to 85 mph hit England and Wales.

U.K. Is Said to Arm Against IRA Missiles

By Howell Raines

New York Times Service

LONDON — In response to warnings of stepped-up violence by the Irish Republican Army, British military helicopters in Northern Ireland are being equipped with machine guns and with infrared systems designed to protect aircraft against surface-to-air missiles, according to military sources.

The move underscores a security situation that has grown increasingly tense since official predictions that the New Year would bring renewed attacks on British officials and loyalists in Northern Ireland.

Sir John Hermon, the chief constable of the police of the Royal Ulster Constabulary, warned in a

New Year's statement that the IRA planned a sustained series of attacks in 1988. He also said IRA guerrilla forces may now possess SAM-7 missiles capable of downing British helicopters.

Twenty of the missiles, which have a range of about three miles (five kilometers), were found when French authorities seized the Ekund, an Irish freighter, last year. Its cargo of 150 tons of weapons was described by British officials as the largest IRA shipment ever captured. But Sir John said there were intelligence reports that the IRA, which is seeking to drive out the British and unite the six northern counties with the independent Republic of Ireland, had received missiles in other shipments.

"It is not their intention to have one wild burst," he said. "I believe they are planning carefully and it will be their endeavor to very greatly raise the level of violence, death and destruction."

The current Jane's Defense Weekly reported that Army and Royal Air Force helicopters would be fitted with the most sophisticated anti-missile systems in use by North Atlantic Treaty Organization. The U.S.-built system detects incoming missiles, sends out decoy flares called "chaff" and jams the missiles' guidance systems.

British military officials said they would not confirm the Jane's report, but they did not dispute it. A spokesman for the Defense Ministry added that British officials

were "aware of the potential" for missile attacks.

The spokesman also said that the helicopters were now being equipped with "general-purpose machine guns" that up until now have been used only on ground vehicles and by infantry units in Northern Ireland.

In a sign that fear is growing in the province, a judge in Belfast resigned Tuesday, saying that he believed that the security provided by the Royal Ulster Constabulary could not guarantee his safety from IRA bombings.

Over the years, the IRA has killed eight judges, including Lord Justice MacNeill Gibson, who died with his wife in a bombing in April.

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UN: Israel Chides U.S. on UN Vote

(Continued from Page 1)

on the Balata refugee district in Nablus because of Palestinian stone-throwing there. Similar disturbances were reported in Gaza town and nearby Khan Yunis, where a Palestinian youth was shot and killed Tuesday during a confrontation with Israeli troops.

On Wednesday afternoon, a group of leading Palestinian lawyers from the West Bank called a news conference to discuss the legal aspects of deportation and the treatment of the roughly 1,000 Palestinians rounded up by Israel during the last month of disturbances in the occupied territories.

One of the lawyers, Mazen Queqy of Jerusalem, said that two of his clients from the West Bank town of Hebron, Moawiyah Fahd al-Qawasmeh and Osama Fayez al-Qawasmeh, both 17, were arrested by Israeli troops on the night of Dec. 19.

The lawyer said both men were taken to Fura's prison north of Nablus, where they were both tortured into giving confessions by Israeli soldiers using electric shock equipment.

Mr. Queqy said the two boys, who are cousins, told him during separate interviews in prison on Jan. 3 that Israeli soldiers tied their hands and feet, planted "electric clips" between their toes and gave them increasingly heavy doses of electric jolts until they confessed to having taken part in disturbances in the Hebron area.

The two Palestinian youths are still in detention, so it is not possible to corroborate their story at this time.

Major Ofra Preus, the Israeli Army spokeswoman in Jerusalem, said the allegations were groundless.

"We deny this completely," she said. "The military prison authorities reject this allegation as a complete outrage. There are strict orders to only use proper methods for investigation and this is checked

regularly. No military or civilian prison in Israel uses electric shock or any similar methods for investigation."

Another of the lawyers, Jonathan Kuttab, said that seven of the nine Palestinians the Israeli Army ordered expelled Sunday have begun the appeals process. Mr. Kuttab said that the only reason the men were appealing was not because they believed they had any chance of getting their deportation orders reversed, but for the sole purpose of dragging out the legal process as long as possible in the hopes that international pressure will inhibit Israel from actually carrying out the expulsions.

Never in the 20-year history of Israeli deportations of Palestinians from the occupied territories has any expulsion order been reversed by the Israeli courts.

Fire at Manila's Holiday Inn

The Associated Press

MANILA — Fire broke out Wednesday night in the 19-story Holiday Inn, forcing hundreds of guests to flee their rooms.

MOROCCO: Fight for Equality

(Continued from Page 1)

women wear veils and traditional dress, and few appear in the coffeehouses.

A State Department report last year on human rights in Algeria said a law enacted in 1964 cut back on gains by women. The law stipulated that women were under the "legal tutelage" of men, reaffirmed polygamy, made it more difficult for women to get a divorce and reduced alimony payments.

Miss Taarji's upbringing guided her toward being different. Her father, a lawyer, made certain that she and her two sisters were educated and became professionals before they married.

"Traditionally, if there were a boy and a girl in a family and only one could be educated, it would be the boy," Miss Taarji said. "While that's still the case generally, the middle class now finds a way to educate both."

Today, she said, young people are doing things they would not have been allowed to 10 years ago.

"Young boys and girls are now sharing the streets, which were

male preserves before," Miss Taarji said. "It is they who are breaking the old customs against women, like going to coffeehouses. They meet at cafes and ice cream shops. Young couples work together. Young girls are allowed by their parents to study with boys."

"But there still exists very serious problems, despite all the appearances. Relations between the sexes are still codified and observed. The woman's role is still that of wife and mother."

MEMORIAL NOTICE

IN MEMORIAM
RALPH W. MARK BROMAN
COL. U.S.A. (RET.)
passed away on January 2, 1988 at the Broussard Hospital in Paris. Decorated Vietnam veteran, combat pilot, former chief ODC/US Embassy Paris. Professor, theatre director and close friend to many throughout the world. Survived by his beloved three children and Isabelle. Memorial service to be held at the American Church, 65 Quai d'Orsay, 75007 Paris, on January 9, at noon. Donations can be made to the Mark Broman Scholarship Fund, American College of Paris, 31 Avenue Baudouin, 75007 Paris.

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the dollar and a confidence crisis over the non-functioning administration and the outlook for leadership," Mr. Goldman said.

The market's performance "is nothing more than a technical pause," said Ralph Bloch, senior vice president and chief market analyst at Raymond, James & Associates in St. Petersburg, Florida. "We've had a huge run based on a tremendous rally by the dollar. There is just too much temptation to take profits."

"At most, we are in for a two- or three-day pause before the market goes higher," he said.

Mr. Bloch disagreed with other analysts who believe the market could only benefit from a more modest advance and who see periodic pullbacks as positive signs.

"The desire for normal, orderly advances is old-line thinking," Mr. Bloch said. "I agree that an orderly advance would be nice, but that's old stuff and immaterial. Tl take what I can get."

Mr. Bloch said the Dow could rise to between 2,150 and 2,200 by mid-January as the markets begin to focus on the next report on the U.S. merchandising trade deficit, which he believes will show some improvement.

Bellsouth was the most active NYSE-listed issue, down 1/4 to 37 1/2.

I.U. International followed, up 4 1/2 to 18 1/2. Sterling Drug was third, up 2 to 76 1/4.

AT&T was off 1/4 to 28 1/2. IBM was up 1 1/2 to 122 1/2.

Among other blue chips, General Electric was unchanged at 46 1/2, USX was up 1/2 to 32 1/2. Merck was down 2 1/2 to 164 1/2. Kodak was unchanged at 51 1/2 and American Express was 1/4 to 25.

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Finance Firms Vary Widely In Coping With Staff Stress

By SHERRY BUCHANAN
International Herald Tribune

LONDON — A majority of personnel directors at British financial firms perceive stress as the main health problem of their companies, according to a recent survey by MORI, the British polling organization. But in spite of growing awareness among British executives that too much stress is bad for their employees' health, there is no consensus on what to do about it.

Few executives of banks, brokerages, auditing firms and building societies consider that diagnosing stress through regular medical checkups or conducting stress management courses are important ways to prevent and monitor stress levels. In contrast, a U.S. study by Yale University found that 80 percent of American companies had programs for identifying stress among their employees.

"A lot of organizations are sending their top management for general medicals, but they are not really making the link between health screening and stress," said Michele Corrado, senior research executive with MORI, Market & Opinion Research International Ltd.

Of the 110 personnel directors of British financial firms MORI interviewed, 67 percent said that stress was the main health problem among their employees; 13 percent said it was too much drinking; 11 percent said it was heart disease and 9 percent said it was too much smoking.

The vast majority, 89 percent, also said they provided comprehensive medical checkups for at least some of their staff. Eleven percent said they provided none. But a two-thirds majority said they paid for medical checkups only for their senior managers.

Two-thirds of the companies said they had taken some action to alleviate stress. For the most part, these were organizational changes like monitoring the work load, hiring more people to lighten it, improving communications within the organization and training people so they felt up to the job.

In spite of executive skepticism, some recent research suggests that health screenings and stress management courses can help decrease stress levels.

STRESS has been defined as bodily or mental tension that can contribute to alcoholism, divorce, proneness to accidents, heart disease and even cancer. Doctors say they can detect high stress levels through physiological and psychological tests.

Stress screening centers have recently opened in Europe. They include the Positive Health Center and the Barbican Medical Center in London and Bioplan Genève SA in Geneva. The centers use a variety of tests to determine stress levels. Executive stress screening costs from \$100 to \$200 (\$183 to \$366) and is not covered by government health insurance or most private insurance plans.

Cary Cooper, professor of organizational psychology at the University of Manchester Institute of Science and Technology, heads one of the largest occupational stress teams in the world. His preliminary findings show that stress levels among British Post Office workers in Leeds and Manchester decreased after stress counselors had been hired.

Alan Bailey of the British United Provident Association, a private medical insurance company, compared stress levels of executives in two British merchant banks over the past four years. He found significant lower stress levels in executives working for the bank with a stronger corporate culture, more secure environment and more active health policy. The other bank had been acquired in a corporate takeover and was involved in a scandal; its chief executive had resigned and it had no health policy whatsoever. Executives there showed much higher stress levels.

Most companies say stress is their main health problem, ahead of drinking and heart disease.

Brazil Picks New Minister

Nobrega Will Give Inflation Priority

RIO DE JANEIRO — Mailson Ferreira da Nobrega, Brazil's new finance minister, says he will give priority to reducing the nation's triple-digit inflation rate but work toward reaching a quick accord with foreign creditors.

The economist and longtime government official was named Tuesday by President José Sarney to replace Luiz Carlos Bresser Pereira, who resigned last month in a clash over economic policy. Mr. Nobrega is Brazil's fourth finance minister in less than three years.

On Wednesday, Brazil's central bank governor, Fernando Collor, a supporter of Mr. Bresser Pereira, resigned. Officials said Mr. Nobrega planned to appoint a new governor before meetings scheduled to start Monday in New York with foreign banks.

Brazil's inflation rate reached 366 percent in 1987. "We must control the inflation or else there is no way we can handle the economy," Mr. Nobrega said in Brasília.

The economist, 46, who was secretary-general of the Finance Ministry, had been interim minister for two weeks. His appointment was hailed by businessmen and bankers, who consider him conservative and pragmatic.

"We will negotiate the debt discreetly and not divulge our proposals before they are on the negotiating table," he said, referring to the talks in New York next week. "But we need a quick agreement, because every day that passes, Brazil bleeds hard currency."

Mr. Nobrega also said he would pursue talks with the International Monetary Fund to seek an accord that "will not involve the fund imposing any program on Brazil."

Brazil's commercial creditors, which are owed 70 billion of its \$113 billion foreign debt, have urged the government to reach an early IMF accord. Mr. Bresser Pereira had insisted that Brazil first reach an accord with the banks.

(NYT, Reuters)



Floor traders monitoring prices on the Tokyo Stock Exchange on Wednesday.

Tokyo Stock Prices Soar on Prospect Of Easier Fund Accounting Rules

Compiled by Our Staff From Dispatches

TOKYO — Prices on the Tokyo Stock Exchange recorded their second biggest one-day gain Wednesday as the prospect of easier accounting rules for special money funds triggered hectic buying by institutional investors.

"We had a buying panic," said a dealer with W.I. Carr Securities Co., who asked not to be identified. "It was the busiest day we have seen in a long time."

The dealer said European and Middle East investors were net purchasers for the first time since the world stock market collapse hit the Tokyo Stock Exchange on Oct. 20.

The 225-share Nikkei Stock Average climbed by 5.63 percent, or

1,215.22 yen, to 22,790.50 yen on Wednesday. The index had risen by 2,037.32 yen on Oct. 21, as it rebounded from the plunge.

The prices of 849 issues rose on the major board Wednesday, against 101 losers. Trading volume came to 983 million shares against 459 million the previous day.

The buying rush was largely attributed to a Finance Ministry announcement that it would consider easing regulations on trust funds and special money trusts called tokkin funds.

Brokers saw the move as a demonstration of the ministry's determination to prop up share prices and prevent any replay of the October plunge.

"It boils down to a pretty transparent attempt to support the market," one stock analyst said.

The Finance Ministry was "trying to bring the institutional investors back to the market and improve the level of liquidity," the W.I. Carr dealer said.

The ministry's move would be a temporary relaxation of its decision last year to have financial institutions value securities held through tokkin and trust funds at the lower of purchase price or market value. The idea was to introduce sounder accounting principles.

Many investors had feared the shift would force institutions to realize previously concealable losses from such investments and prompt

parent attempt to support the market," one stock analyst said. The Finance Ministry was "trying to bring the institutional investors back to the market and improve the level of liquidity," the W.I. Carr dealer said.

See TOKYO, Page 13

Grand Met Lifts Martell Bid in Takeover Battle

Compiled by Our Staff From Dispatches

PARIS — Grand Metropolitan PLC said Wednesday it was raising its bid for Martell & Compagnie to 2,825 francs (\$518.34) a share from its previous offer of 2,675 francs, escalating the battle with Seagram Co. of Canada for France's second-largest cognac maker.

Its new offer values Martell at 3.9 billion francs. Earlier in the day, officials of Grand Met, the British food, hotels and spirits group, had expressed confidence that the first bid would be approved by the French government and that an offer of 2,500 francs a share by Mumm & Compagnie, a subsidiary of Seagram, would be blocked.

Seagram, which owns 12 percent of the prestigious cognac company's stock, announced Dec. 16 that it had an agreement with the Martell family to buy another 40 percent for 1.49 billion francs. Grand Met owns 19.9 percent of Martell's stock.

Grand Met said in a statement released through its advisory bank, Crédit Commercial de France, that its new offer was aimed at reaching a quick solution to the affair.

Vernier Palliez, a board member of Grand Met, had said earlier that support from French stockbrokers would weigh heavily in the Finance Ministry's decision, expected within a week, on the takeover bids.

Over the weekend, the stockbrokers' association had condemned the Seagram offer, claiming it violated French securities law by bypassing the open market.

Seagram, in its defense, has claimed that French law permits stock deals outside the market when they are conditional. Since foreign acquisitions of French companies are subject to government approval, Seagram says that its Martell purchase is therefore conditional and, as such, could be executed directly with the seller and escrow agent.

A Seagram spokesman in Paris said Wednesday that "discussions with the appropriate government authorities are still under way, and we have been assured that no final decision has been reached."

But Georges Chavanes, the min-

ister of commerce, services and crafts industries, said Sunday the Seagram agreement was not valid. George J. Bull, chief executive of International Distillers & Vintners Ltd., Grand Met's wine and spirits division, who has been lobbying government officials hard this week, said he couldn't explain why the Martell family was hostile to Grand Met's offer. He denied that it had hid its intentions to eventually increase the holding it acquired last summer in conjunction with a joint distribution agreement.

But Susanna Hardy, who covers French equities for James Capel & Co. in London, said Grand Met had played its hand "sloppily" by not telling Martell it was buying shares last month. (IHT, Reuters)

AT&T Will Buy As Much as 20% Of Sun Micro

NEW YORK — American Telephone & Telegraph Co. said Wednesday it had agreed to buy up to 20 percent of Sun Microsystems over the next three years. The deal guarantees Sun up to \$300 million in new capital as it develops a computer design with AT&T.

AT&T said it would buy, at Sun's option, up to 15 percent of newly issued Sun common stock and pay 25 percent above the market price. Sun shares, which are traded over-the-counter, rose \$1.50 on the announcement to \$36.

AT&T agreed to buy as much as another 5 percent of Sun's outstanding shares on the open market. In October, AT&T and Sun said they would work together to develop a computer design that will use Sun's Sparc microprocessor and an updated version of AT&T's Unix operating system. The aim is to design a system that could become an industry standard.

But Georges Chavanes, the min-

ister of commerce, services and crafts industries, said Sunday the Seagram agreement was not valid. George J. Bull, chief executive of International Distillers & Vintners Ltd., Grand Met's wine and spirits division, who has been lobbying government officials hard this week, said he couldn't explain why the Martell family was hostile to Grand Met's offer. He denied that it had hid its intentions to eventually increase the holding it acquired last summer in conjunction with a joint distribution agreement.

But Georges Chavanes, the min-

Currency Rates

Cross Rates	Jan. 6
American dollar	1.856
British pound	1.625
French franc	6.545
German mark	1.366
Italian lira	1.366
Japanese yen	163.26
Swiss franc	1.483
U.S. dollar	1.856

Currencies in London, Tokyo and Zurich. Rates in other centers. Note: U.S. dollar rates are for 100 U.S. dollars. To buy one pound: 1.625 U.S. dollars. To buy one franc: 6.545 U.S. dollars. To buy one yen: 163.26 U.S. dollars. To buy one Swiss franc: 1.483 U.S. dollars. To buy one Italian lira: 1.366 U.S. dollars. To buy one Japanese yen: 163.26 U.S. dollars. To buy one German mark: 1.366 U.S. dollars. To buy one Australian dollar: 1.856 U.S. dollars. To buy one New Zealand dollar: 1.625 U.S. dollars. To buy one Hong Kong dollar: 6.545 U.S. dollars. To buy one Singapore dollar: 1.366 U.S. dollars. To buy one Taiwan dollar: 1.366 U.S. dollars. To buy one South Korean won: 1.366 U.S. dollars. To buy one Thai baht: 1.366 U.S. dollars. To buy one Philippine peso: 1.366 U.S. dollars. To buy one Indonesian rupiah: 1.366 U.S. dollars. To buy one Malaysian ringgit: 1.366 U.S. dollars. To buy one Singapore dollar: 1.366 U.S. dollars. To buy one Hong Kong dollar: 6.545 U.S. dollars. 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BUSINESS ROUNDUP

Pan Am Said to Offer to Drop CEO

By Agis Salpukas
New York Times Service
NEW YORK — Pan Am Corp. has offered to dismiss the company's chairman and vice chairman in return for \$180 million, a year in concessions from the five unions of the company's Pan American World Airways subsidiary, union officials and officials close to the company have said.
The company's chairman and chief executive, C. Edward Acker, and its vice chairman, Martin R. Shugrue Jr., were not available for comment on the officials' remarks, made Tuesday.
The board also promised to provide new financing for the airline and "one union leader predicted that rank-and-file members would agree to the concessions by the board's deadline of next Tuesday. The concessions could include payments of as much as 20 percent and major changes in work rules.
For the unions, such a deal would represent a victory in their yearlong effort to oust Mr. Acker, whom they have accused of mismanagement. For Mr. Acker, it would represent a bitter end to his six-year struggle as chairman, in turn around the airline, which has had huge losses and has had to sell some of its most valued assets, including its Pacific routes.

It was also reportedly decided on Monday to dismiss Mr. Shugrue, who has recently attacked Mr. Acker's attempt to sell the airline to the Pritzker family — attacks that some directors thought were undermining the efforts of management to find a way out of its problems. The deal with the Pritzkers fell through in December when the Pritzkers could not win the concessions they wanted from Pan Am's unions.
Since then, representatives of Jay A. Pritzker, chairman of Braniff

Inc. and a Chicago industrialist, have met with Pan Am union leaders, and this time Mr. Pritzker has expressed an interest in making a bid for the whole company and not just the airline.

Union officials said the fates of Mr. Acker and Mr. Shugrue were sealed on Monday night at a private meeting among William T. Coleman Jr., a Pan Am director whom the board has designated de facto chief executive; pilot leaders, and advisers to the company and the unions.

The struggle over Mr. Acker's future began a year ago, when four unions banded together, hired an investment banker and then peddled an offer to make concessions to potential buyers of the airline.

The unions have accused Mr. Acker of squandering hundreds of millions of dollars from the sale of Pan Am's assets on strategies that have often backfired, including a decision to expand flights in years when travel fell because of a weakening of the dollar and terrorism.

One union leader noted that Mr. Coleman, a former U.S. secretary of transportation, was now in the hot seat, expected to make the airline viable. "Bill Coleman does not want the reputation that Pan Am went bankrupt under him," the union leader said.

DAF's Net Profit Soared
Past \$33 Million in '87

AMSTERDAM — DAF BV, the Anglo-Dutch truck and van producer, said Wednesday that net profit rose to more than 60 million guilders (\$33.1 million) in 1987, a gain of at least 82 percent from 33 million guilders in 1986.
DAF did not give precise profit figures, but said that sales rose 62 percent to 3,800 billion guilders from 2,34 billion guilders in 1986. Its DAF Trucks unit acquired parts of the truck and van units of Britain's Rover Group PLC in April and merged them with its own British activities into Leyland DAF.

Bayer Studies Hoffmann Bid;
Morgan Role Angers Sterling

BONN — Bayer AG, the West German chemical company, is studying the hostile bid made by F. Hoffmann-La Roche & Co. of Switzerland for Sterling Drug Inc. of the United States, a Bayer spokesman said Wednesday. But, he added, it was too soon to say whether Bayer would make a counterbid.

Chemical industry analysts said that Bayer could use Hoffmann's bid to recover the U.S. rights to Bayer's pharmaceutical products.

Bayer paid Sterling \$25 million in 1986 to buy back the rights to the use of the Bayer trademark in the United States for industrial products, which allowed Bayer to change the name of its U.S. holding company to Bayer USA Inc. from Rhinchem Corp. But Sterling retained the U.S. trademark rights to Bayer's pharmaceutical activities, the most notable being the popular Bayer Aspirin.

Joseph Rooney, the West German company analyst at James Capel & Co. in London, said Bayer could agree with Hoffmann not to get into a fight for Sterling, in return for which it would be able to buy back the U.S. rights if the takeover succeeded. The price of those rights has been estimated at between \$100 million and \$200 million.

The Bayer spokesman, Friedrich Gottschalk, said that regaining these rights "would certainly be very nice for us."

In New York, Sterling's chairman and chief executive, John Pietruski, charged that Morgan Guaranty Trust Co. was acting unethically as the financial advisor for Hoffmann. He said that Sterling had been a Morgan client for more than 50 years and as such the trust company was privy to "our most confidential financial information."

In a letter to Morgan's chairman and chief executive, Lewis Preston, Mr. Pietruski wrote, "How many relationships of trust and confidence do you have to have with a client before you consider not embarking on a course of action that could be detrimental to the best interest of your client?"

Citicorp Is Laying Off 400
In Investment Banking Unit

Compiled by Our Staff From Dispatches
NEW YORK — Citicorp will lay off 400 of the 2,500 employees at its North American investment banking unit because of a "changing economic environment" following the October stock market collapse, the biggest U.S. banking company announced Wednesday.

Citicorp's layoffs are the latest of a series announced by investment banking companies and Wall Street firms that fear a major industry contraction will result from the Oct. 19 collapse. By some estimates, more than 8,000 people already have been laid off or are facing dismissal.

A Citicorp spokesman, John Maloney, quoting a staff memorandum from Alan MacDonald, head of the investment banking unit, said management planned to redirect some operations.

"We have all seen the realities played out in other institutions on the Street," the memo added.

Most of the 400 people to be laid off are involved in the division's municipal finance and mortgage-backed securities businesses, Mr. Maloney said. Notices will be sent to them starting this week.

Salaries and bonuses at Citicorp's investment banking opera-

Coates to Buy
Lorilleux From
CDF Chimie

LONDON — Coates Brothers PLC, the British printing-ink maker, said Wednesday it would buy the French ink producer Lorilleux International SA from CDF Chimie SA in a transaction valued at £56.8 million (\$107.2 million).

As part of the agreement, CDF Chimie will receive ordinary and 'A' shares representing 33.4 percent of Coates's enlarged capital. The French chemical company plans to acquire further shares boosting that stake to 40.06 percent.

The Coates-Lorilleux combination would be the world's third-largest ink producer, behind BASF AG and Dai Nippon Ink. Coates is active in Britain, Scandinavia, Asia and Africa, and Lorilleux in southern Europe.

To raise its stake in Coates, CDF Chimie is making a partial offer to Coates shareholders of 505 pence (\$9.53) cash for each ordinary share and 459 pence for each 'A' ordinary share.

Ahold to Buy
Supermarket
Chain in U.S.

AMSTERDAM — Ahold NV, the Netherlands' largest general food retailer, said Wednesday that it had agreed to buy 80 percent of First National Supermarkets Inc., a U.S. chain that had a turnover last year of about \$1.6 billion.

Ahold said the acquisition would be paid for in cash. The company declined to reveal the amount.

Ahold USA Inc., a holding company that already owns Bi-Lo Inc. and Giant Food Stores Inc., has agreed to acquire the other 20 percent of First National Supermarkets within three years after 1989.

First National Supermarkets has a total of 122 stores under the brand names of Finest, Edwards and Pick 'n Pay in Ohio, New York and several New England states.

Ahold's chairman, Albert Heijn, said the agreement had been reached with shareholders of FNS Holding Inc., the holding company for the Cleveland-based chain.

The takeover is conditional upon approval by U.S. antitrust authorities, which is expected within three weeks.

It appeared to be the latest instance of a foreign company being enticed into buying a U.S. company by the dollar's lower value.

Mr. Heijn said takeover would have a neutral effect on Ahold's 1988 results.

He said that during 1987 Ahold's sales rose by 8.5 percent to 8 billion guilders (about \$4.4 billion), while in the United States sales rose by 2.4 percent to \$11.7 billion.

The chairman did not give any profit figures, but reiterated that Ahold expected unchanged 1987 after-tax profit. In 1986, net profit was 132.4 million guilders on revenue of 11.4 billion guilders. A company spokesman said the 1987 profit figures would be released in March.

The takeover did not surprise the Amsterdam stock exchange because Ahold had repeatedly said it was looking for a third chain in the United States.

Trading in Ahold shares was suspended Wednesday pending the announcement. Tuesday, Ahold closed 7.10 guilders higher, at 65.50, in a generally higher market.

TIGERS:
Export Policies

(Continued from first finance page)
and \$730 million from Singapore. Analysts say they do not expect Mexico or Brazil to be removed from the program because they have large foreign debts to pay off, big populations and low per-capita income levels.

In a letter to Mr. Yeater in December, Thomas J. Bolam, chairman of the American Business Council in Singapore, said that if Singapore was removed from the generalized system of preferences, it could induce the European Community and Japan, which also have GSP programs, to follow suit.

South Korea was stripped of benefits under the European program on Friday, after complaints that it discriminated against EC exporters, particularly chemical and pharmaceutical companies, by not giving them the same patent protection provided to U.S. competitors. This will cost Koreans \$60 million in customs new duties.

U.S. and European officials who favor the curbs argue that exports from the "Little Tigers" are now able to compete effectively in the U.S. and European Community markets and no longer need preferential treatment.

Mr. Bolam said it appeared the threats to exclude Singapore and others from the GSP program were linked to critical comments from the U.S. Treasury Department, which has said Taiwan, South Korea, Hong Kong and Singapore are keeping the value of their currencies low relative to the dollar, the yen and the deutsche mark to promote exports.

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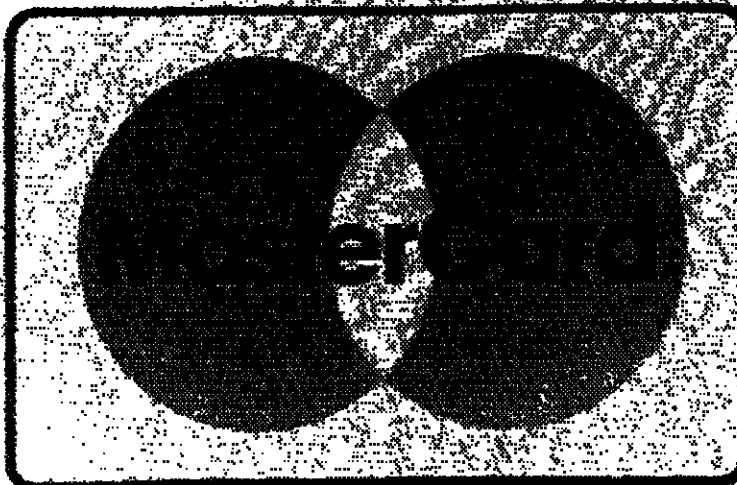
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